



# **ESTIMATES COMMITTEE**

## **1959-60**

**Minutes of Evidence Given Before the Sub-  
Committee of the Estimates Committee on  
Public Undertakings and Minutes of the  
Sitting of the Estimates Committee**

**Relating to  
86th Report**

**(SECOND LOK SABHA)**

**MINISTRY OF COMMERCE AND INDUSTRY**

**THE STATE TRADING CORPORATION OF  
INDIA LTD.**

9284



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1960*  
*Chaitra, 1882 (S).*  
*Printed at the Government Press, New Delhi*



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The detailed examination of the estimates relating to the Ministry of Commerce and Industry—the State Trading Corporation of India Limited was undertaken by the Sub-Committee of the Estimates Committee on Public Undertakings in terms of Speaker's Direction 101A.

2. In connection with their examination of the above estimates the Sub-Committee took evidence of non-officials and officials. The report of the Sub-Committee on this subject was placed before the whole Committee which adopted the same on the 11th April, 1960. This Report *viz.*, Eighty-sixth Report on the Ministry of Commerce and Industry—the State-Trading Corporation of India Limited was presented to the House on the 18th April, 1960.

3. The presentation to the House of the Minutes of evidence given before the Sub-Committee was authorised by the whole Committee at their sitting held on the 11th April, 1960.

4. This volume contains the Minutes of evidence given before the Sub-Committee and the Minutes of sitting of the whole Committee relating to the above Report.

NEW DELHI;  
*The 14th April, 1960.*  
*Chaitra 25, 1882(S).*

M. N. KAUL,  
*Secretary.*



**MEMBERS OF THE ESTIMATES COMMITTEE  
1959-60**

**CHAIRMAN**

**Shri H. C. Dasappa.**

**MEMBERS**

2. Dr. Sushila Nayar
3. Shri T. N. Viswanatha Reddy
4. Shri N. R. Ghosh
5. Shrimati Mafida Ahmed
6. Shri S. A. Matin
7. Shri Narendrabhai Nathwani
8. Shri Rajeshwar Patel
9. Shri Surendranath Dwivedy
10. Shrimati Renu Chakravartty
11. Shri M. Sankarapandian
12. Shri Jhulan Sinha
13. Shri Hem Barua
14. Shri C. R. Basappa
15. H. H. Maharaja Pratap Keshari Deo
16. Shri D. A. Katti
17. Shri Bhausaheb Raosaheb Mahagaonkar
18. Shri M. Muthukrishnan
19. Shri K. P. Kuttikrishnan Nair
20. Shri T. Nagi Reddy
21. Shri Vutukuru Rami Reddy
22. Sardar Amar Singh Saigal
23. Shri Dinesh Singh
24. Sardar Iqbal Singh
25. Shri Raghunath Singh
26. Shri Tayappa Hari Sonavane
27. Shri Sunder Lal
28. Shri A. M. Tariq
29. Shri M. G. Uikey
30. Shri Jagannath Prasad Pahadia\*.

**SECRETARIAT**

**Shri A. K. Ray—*Deputy Secretary.***

**Shri R. K. A. Subrahmanya—*Under Secretary.***

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\*Elected w.e.f. 19th December, 1959 *vice* Shri Mathuradas Mathur resigned.





**MEMBERS OF THE SUB-COMMITTEE OF THE ESTIMATES  
COMMITTEE ON PUBLIC UNDERTAKINGS  
1959-60**

**CHAIRMAN**

**Shri H. C. Dasappa**

**MEMBERS**

2. Dr. Sushila Nayar
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6. Shri Rajeshwar Patel
7. Shri Surendranath Dwivedy
8. Shrimati Renu Chakravartty
9. Shri C. R. Basappa
10. Shri Bhausahab Raosaheb Mahagaonkar
11. Shri M. Muthukrishnan
12. Sardar Amar Singh Saigal
13. Shri A. M. Tariq
14. Sardar Iqbal Singh
15. Shri Jagannath Prasad Pahadia.

**SECRETARIAT**

**Shri A. K. Ray—*Deputy Secretary.***

**Shri R. K. A. Subrahmanya—*Under Secretary.***



# I

## **Sixth Sitting of the Sub-Committee on Public Undertakings** 12th November, 1959

The Sub-Committee sat from 13.30 hours to 17.30 hours.

### **PRESENT**

Shri H. C. Dasappa—*Chairman*

### **MEMBERS**

2. Shri T. N. Viswanatha Reddy
3. Shri Surendranath Dwivedy
4. Shri C. R. Basappa
5. Shri Bhausaheb Raosaheb Mahagaonkar
6. Shri M. Muthukrishnan
7. Sardar Amar Singh Saigal
8. Shri A. M. Tariq

### **SECRETARIAT**

Shri A. K. Ray—*Deputy Secretary.*

Shri R. K. A. Subrahmanya—*Under Secretary.*

### **NON-OFFICIAL WITNESS**

Shri Murarji J. Vaidya, *President, Indian Council of Foreign Trade.*

(From 13.30 hrs. to 15.00 hrs. the Sub-Committee took evidence of Shri S. Ramakrishnan in connection with the examination of estimates relating to the N.S.I.C.).

### **SHRI MURARJI J. VAIDYA**

(15.00 to 16.30 hrs.)

The Sub-Committee heard the evidence of Shri Murarji J. Vaidya in connection with their examination relating to the State Trading Corporation of India Ltd.

### **Export Trade in General**

2. At the outset the witness stated that if all the facilities and privileges that were being given to the State Trading Corporation, could be given to the normal channels of trade, India's export trade performance would have been far better than what it had been through the State Trading Corporation. He further stated that one basic factor had to be kept in mind as far as export and import trade

was concerned, namely, that no matter which organisation—whether private trade or the State Trading Corporation—handled export and import trade, the international markets, the demand, the prices prevailing in the world markets were the limiting factors, and no organisation, however powerful and well equipped, could go beyond these factors.

3. It would be wrong to imagine that because of the S.T.C. the country could get certain advantages in the world market which private traders could not get. The witness pointed out that though it had been stated that the State Trading Corporation had always been endeavouring to make use, to the maximum extent, of the experience and resources of the established trading channels in arranging its exports and imports, in actual practice the Corporation had become a monopoly trader in certain commodities entrusted to it.

4. The witness further stated that against the total volume of India's foreign trade, which was of the order of Rs. 1,700 crores, volume of business done by the S.T.C. comes to Rs. 30 crores, that is, about 1½ per cent. Considering that the S.T.C. was functioning in an unlimited sphere with all the facilities and support which the Government organisation could have, the achievement of the S.T.C. was not much.

5. In the beginning it was also stated by Government that the S.T.C. was not necessarily to make profits, but subsequently the policy had undergone a change and it had been declared that since resources were needed for the Plan, the State-owned enterprises had necessarily to make profits.

#### **Trade on Rupee Payments**

6. The witness informed the Sub-Committee that long before the S.T.C. came into existence a delegation led by a Secretary of the Ministry of Commerce and Industry went to Egypt and an agreement was finalised by India with Egypt whereby Egypt agreed to accept payment in rupees for cotton purchased under this agreement. The amount was to be put in the Reserve Bank and Egypt could only buy goods from India out of that money. If it was claimed that S.T.C. had introduced a new system of rupee trade, that was not borne out by facts and it was not correct. In reply to a question, the witness stated that if the facilities that were being given to the S.T.C. had been extended to private trade, namely, either rupee payment or barter agreement, they would have been able to do much more business than the S.T.C. had been able to do. At present, however, no barter deals were allowed to any private trader or even an organisation.

#### **S.T.C.'s Trade with Communist Countries**

7. The witness further stated that the S.T.C. was originally conceived of as a body to carry on trade with Communist countries. In

this context, he informed the Sub-Committee that even before the S.T.C. came into existence, a large volume of trade with the Communist countries like Czechoslovakia, Hungary, Poland etc. was being carried on by private firms. As far as Bulgaria and U.S.S.R. were concerned, India's trade with them before the war was negligible. Even today, the trade with them was negligible as compared to India's trade with other countries of the world. It was pointed out to the witness by the Sub-Committee that after S.T.C. has taken up the trade with Communist countries, the imports from and export to Russia had gone up nearly three and ten times, respectively. The witness stated if the same facilities had been given to private traders, they would have registered double the amount S.T.C. had shown. Further, he stated that as a result of S.T.C.'s activities in trade with the Communist countries, the country had suffered. For instance, the Russians unloaded pepper which they had bought from India through S.T.C. in the international market at a lower price. The result was that it spoiled the country's chances of securing a good price in the U.S.A. for that commodity as U.S.S.R. bought a small quantity and spoiled India's world trade.

#### **Delays in reply to letters**

8. The witness informed the Sub-Committee that he had received a number of letters from persons who had occasions to deal with the S.T.C. complaining of delays and non-receipt of reply to their letters. Such delays were in fact a rule rather than the exception in the State Trading Corporation.

#### **Manganese Ore**

##### **(i) Shortfall in the export of Manganese Ore**

9. Asked as to whether S.T.C. had adversely affected private trade, Shri Vaidya stated that it was very well-known that the total volume of trade in manganese ore had gone down because of the interference of S.T.C. The volume of recession in world trade was much smaller than the fall in India's export of manganese ore and that meant that India had suffered more than the world trade had suffered because of the mistakes made by the S.T.C. and the mechanism adopted by it.

##### **(ii) Transport Facilities**

10. Asked whether the export of manganese ore had fallen due to the fact that the S.T.C. had not been given the monopoly of trade in that ore, it was stated that until the last year the S.T.C. had been virtually the monopoly exporter because none of the mine owners or exporters would get the transport permit from the mine to the port unless the S.T.C. okayed it and the S.T.C. would 'O Kay' it only if the business was done through it although the mine owners and exporters had to find the buyers, do the financing and everything else. This year, however, it had released 50% because the business had been falling.

11. When the Chairman pointed out that the export quota of the S.T.C. was originally only 33-1/3%, the witness stated that the transport permit from the mine to the port was controlled by the S.T.C. which gave priority to its own business first and thus secured monopoly in the trade. It was pointed out to the witness that the private sector had shipped a larger proportion of their quota than the S.T.C. in 1958-59, witness said that the private sector would ship 100 per cent of their quota if it were allowed to make the supply. The witness further informed the Sub-Committee that the private sector had concluded contracts for the supply of the full quantity of the quota but could not fulfil them for want of transport facilities.

(iii) *Export of Manganese Ore by S.T.C. and Quota System*

12. The witness asserted that the S.T.C. had not found any new market for manganese, had not increased the exports, but had shared the existing market and existing business with the private sector. Due to its inefficiency the S.T.C. had not been able to export the ore to the extent of its quota. In this connection he pointed out that the S.T.C. had dishonoured nearly 40% of its manganese ore contracts. Besides, the S.T.C. had entered into contract to supply high-grade ore only and a huge quantity of low-grade ore had been left, whereas private trade always made it a condition with the buyers that they should buy a certain quantity of low-grade ore with the required quantity of high-grade ore. The result was that the whole business suffered.

13. Asked whether there was justification for the quota system, the witness stated that it was a matter of policy for the Government to decide. He denied that quota system had been introduced with a view to reserve certain volume of trade with Communist countries.

14. Asked whether there was need to limit the exports of manganese in order to conserve the deposits of the ore for the national steel industry, the witness stated that there was no fear of the deposits being run out for at least a century to come, and therefore there was no need to restrict the exports. He stated that the opinion was based on geological survey reports and he was prepared to furnish the figures.

(iv) *Export of Ferro-Manganese*

15. Asked whether it was preferable to export ferro-manganese in lieu of manganese ore, the witness stated that it was desirable but it depended upon the buyers. They preferred to buy manganese to ferro-manganese. It was not possible to force them to buy ferro-manganese.

**Export of Iron Ore**

16. As regards iron ore, the witness stated that there was a general complaint from certain mine-owners that neither were they allowed to export their ore nor did the Corporation purchase it from them. He was of the opinion that there was a very good world market for Indian ore and there was no need for introducing the quota system in that trade. He was further of the opinion that the S.T.C. should

either buy all the ore that was produced in the country or they should allow people to export on private account. If the Government apprehended that due to internal competition the price for Indian ore would fall, it could lay down a rule that the ore would not be allowed to be exported below a certain price.

17. He held that S.T.C. had not done anything to increase the exports of iron ore. The increase was actually due to rise in the world demand for iron ore. There was, therefore, no need for India to enter into long-term agreements for export it.

Moreover, the price of the ore had been reduced because of the entry of S.T.C. into this business. He held that the private sector had secured higher prices for this ore before the S.T.C. came into the picture.

Further, there was no need for sending a high-powered delegation, spending foreign exchange, to Japan for selling iron ore and that the Japanese should have come to India to buy iron ore as it was a sellers' market.

18. Asked whether there was no competition for Indian iron ore for supply to Japan, the witness stated that iron ore was not easily available. As regards competition from China, it was stated that the quality of the Chinese ore was poor and besides Japan would have difficulties with U.S.A. if it had business with China.

When the Sub-Committee pointed out that the Steel Mills in Japan had organised themselves into a well-knit consortium and it was necessary to have a similar organisation in India to negotiate with them, the witness stated that Government could have initiated the organisation of a consortium of exporters instead of entrusting the iron ore trade to S.T.C.

#### **Import of Caustic Soda and Soda Ash**

19. The witness observed that so long as a commodity was not permitted to be imported in adequate quantity, there would be no free market. He pointed out that before S.T.C. entered the field, the import and distribution of caustic soda was regulated on a quota basis and the quota was smaller than that allotted to the S.T.C. He, therefore, attributed the success of S.T.C. in the trade in Caustic Soda and Soda Ash to the fact that it was allowed to import larger quantities of the commodities than the private traders could do previously.

#### **Raw Silk**

20. As regards raw silk, the witness stated that the Central Silk Board used to import raw silk in large quantities and distribute it through the State Government or through the proper channel. Later on Government decided that this business should be transacted through the S.T.C. which did nothing except to sign at the dotted line. It was



the Silk Board which decided the quantity and quality. As the quantity imported was not enough, there was black-marketing in raw silk in Banaras and Bangalore. As long as it was not imported in large quantities, there would be no free market.

### **Paper**

21. The witness informed the Sub-Committee that apart from news-print, the S.T.C. was now dealing with the import of tissue paper and paper board on a monopoly basis. The S.T.C. had entrusted the import and distribution of paper to certain firms who were selling it at a much higher price and that the S.T.C. was making a much bigger profit than would be allowed in normal trade. In this connection, the witness informed the Sub-Committee that the paper trading interests were told by S.T.C. to form a joint stock company of all the traders so that the S.T.C. could allow them to distribute paper, news-print etc. When a limited company was formed at the instance and advice of the S.T.C. and Government, the distribution of paper etc. had been entrusted to certain firms for reasons best known to the Government or the S.T.C.

22. In the matter of art paper also there was a complaint from one of the Members of his Association. The S.T.C. had contracted to buy poor quality of art paper from East Germany which was not suitable for the purpose for which it was required and it was not permitted to import any other quality, with the result people had to go without their supplies. It appeared that a mistake had been made by the S.T.C. in negotiations with East Germany. The East Germans had higher quality paper but had sold poor quality paper because the quality of paper required had not been ascertained by the S.T.C. before entering into contract.

### **Cement**

23. Shri Vaidya felt that there was absolutely no necessity for entrusting the cement trade to the S.T.C. When the Sub-Committee pointed out that the S.T.C. came into cement trade in order to operate the cement pool from which the imported and indigenous cement could be sold at a uniform price, the witness stated that the steel pool was operated without S.T.C. and cement pool also could be operated on the same lines. He felt that the price of cement was unduly high in the country compared to the cost of production and that there was ample scope for its reduction since import of cement had ceased. He further stated that the avowed objective of the S.T.C. was to operate import and export trade and that it should therefore not concern itself with internal distribution of cement.

24. Further, he stated that if the Government could create an impression among the people of the country that they would deal only with honest people and put down dishonest people, automatically there would be improvement in the ethics of the trade. Having known who were good and honest people, they should be given all help to

create a climate which would help to build the trade of this country. This step would build up the trade of the country much faster than by any of the complicated organisations which were being set up.

### Finance and Accounts

25. Asked about the reasonable ratio of sales turn-over to capital in a trading concern, the witness stated that there was no relation between the two in a purely trade organisation since the volume of trade depended on the credit enjoyed by the concern. Such ratios applied more appropriately to industrial concerns. He also said that no ratio of profit to capital could be laid down as it should be on the basis of turn-over.

26. Shri Vaidya expressed the view that there should be strong 'Reserves' in the S.T.C., as it was doing a risky business.

27. He stated that there was no need for spending any amount on publicity as the Corporation was a monopolistic concern.

28. He also felt that the shares of the public undertakings should be thrown open to the general public on the Austrian pattern with safeguards to ensure that they were not cornered by big interests by making them non-transferable except with the permission of the Government.

*The witness then withdrew.*

(The Sub-Committee thereafter proceeded to record the evidence of the representatives of Iron and Steel Cooperative Society, Bangalore, in connection with their examination of the estimates of National Small Industries Corporation Limited.)

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## II

### *Eighth Sitting of the Sub-Committee on Public Undertakings 13th November, 1959*

The Sub-Committee sat from 14.30 hours to 17.30 hours.

#### PRESENT

Shri H. C. Dasappa—*Chairman*

#### MEMBERS

2. Dr. Sushila Nayar
3. Shri T. N. Viswanatha Reddy
4. Shri Surendranath Dwivedy
5. Shri C. R. Basappa.
6. Shri Bhausahab Raosaheb Mahagaonkar
7. Shri M. Muthukrishnan
8. Shri A. M. Tariq.

#### SECRETARIAT

Shri A. K. Ray, *Deputy Secretary*.

Shri R. K. A. Subrahmanya, *Under Secretary*.

#### WITNESSES

##### *Representatives of the S.T.C.*

1. Shri C. M. Poonacha, *Chairman, The State Trading Corporation of India Limited.*
2. Shri D. Sandilya, *Managing Director, The State Trading Corporation of India Limited.*

The Sub-Committee on Public Undertakings took up the estimates of the State Trading Corporation of India for examination and in this connection heard the evidence of the representatives of the Corporation.

2. The Chairman welcomed the representatives of the Corporation and explained in brief the main functions of the Estimates Committee as well as the manner in which the Committee carried out the duties entrusted to them by Parliament.

## Staff

### (i) *Assessment*

3. At the outset the Sub-Committee desired to know how the requirements of staff for the Corporation were assessed. The Managing Director of the S.T.C. stated that it was largely governed by governmental rules. The requirements of posts in various grades were generally estimated with reference to the volume of business which was to be handled and the range of operations of the Corporation. The witness, however, added that the S.T.C. was a growing organisation and there was no pre-determined list of commodities in which it was to trade. Quite often Government entrusted the S.T.C. with new commodities for trade. Consequently it had not been possible for the Corporation to have a staff budget. On account of the rapidity with which the organisation had grown, it had not been possible to make any precise assessment of staff in advance and in such circumstances they had to make only an *ad hoc* assessment. On being questioned whether the programme of S.T.C. was not determined well in advance of the year concerned, it was admitted by the Managing Director that it was so in respect of commodities already being handled by the Corporation. It was then suggested by the Sub-Committee that in these circumstances the Corporation should be able to plan out their administrative requirements. The Managing Director conceded that it was possible except for new items.

4. The Managing Director held that the Corporation was at present short of higher officers. In his view, it was necessary that the policies of the Corporation and the efficient working of the Corporation should be in the hands of persons who were responsible, well remunerated and who had got the necessary authority, as in a Corporation of this kind the main work must be done by the officers and not by the staff. He, however, conceded that there might be a little excess of the staff in the Corporation in lower categories like peons, lower and upper division clerks.

### (ii) *Recruitment*

5. As far as recruitment was concerned, the Corporation had rules and regulations which had already been approved. Normally the recruitment was done either by advertisements or by calling for applications. There were two Committees for this purpose, *i.e.*, one for recruitment of staff for posts carrying pay up to Rs. 500 and another a Committee of Directors for recruitment of Officers for higher posts.

6. As regards selection of Officers, the Managing Director stated that they did not rigidly go by the educational qualification as they attached greater importance to the practical experience of the persons. He added that it would not be correct to state that everybody had been recruited according to the rules of recruitment.

### (iii) *Establishment Expenses*

7. The representative of the Corporation further informed the Sub-Committee that the percentage of establishment expenditure to the

total turn-over of the Corporation was really very small i.e., 1½ per cent, taking the volume of indirect trade and direct trade handled by the Corporation into account. In this connection, the Chairman invited the attention of the representative of the Corporation to the Canadian Commercial Corporation whose operational expenses for 1958-59 came to about 300,000 dollars against a turn-over of 95 million dollars whereas, the turn-over of S.T.C. excluding cement was Rs. 28·57 crores in 1957-58, while the operational expenses amounted to Rs. 55 lakhs. It was further pointed out that the total staff of the Canadian Corporation was only 51. The Managing Director of the Corporation said that as he did not know much about the Canadian Corporation, he could not comment on the matter but thought that it was unfair to compare a highly efficient corporation in a fairly highly industrialised country like Canada with the S.T.C. The Chairman, S.T.C., said that the Canadian Corporation had been in existence for 13 years and he hoped that in 12 years time S.T.C. would be able to show similar results in comparison to its over-all transaction.

8. The representative of the Corporation stated that a part-time Director was, at present, reviewing the administrative organisation of the Corporation and his report was expected to be received very shortly. The Director was appointed in December, 1958 for the purpose but he had not made his report yet. Further recruitment had, however, been stopped till his report was available.

#### Programme of Work

9. As regards programme of work, the witness stated that in respect of commodities which were entrusted to it by Government from time to time, it had not been obviously possible for the Corporation to prepare a programme in advance. In this context the Sub-Committee were informed that the import of giant tyres was not at all envisaged at the time when annual programme was prepared and they had to handle it at a short notice.

In this connection, Chairman observed that the major items of work to be undertaken by the Corporation should be clearly laid down and defined well in advance, otherwise there was always a risk of things not being done efficiently.

#### Board of Directors

10. The Sub-Committee were informed that there were three full-time Directors in the Board of Directors of the S.T.C. and the rest were part-time Directors who except one, were *ex-officio* Government official. The official part-time Directors were not given any remuneration. The non-official part-time Director, was however, provided rent-free accommodation by the Corporation.

11. The Managing Director felt that if a Director was to influence the policies and procedures of a Corporation, he should be a full-time Director and that part-time businessman Director would be of no

realized that, therefore, asserted that it was not correct to have a Managing Director and that the Directors should all be full time men and take full responsibility for the working of the Corporation. He also suggested that it would be desirable to have eminent men who might not be available full time on part-time basis provided they are interested in the commodities handled by the Corporation. He added that as the range of operations of the Corporation was wide it was very difficult to find such a man.

#### 11. Composition of the Corporation

12. On his attention being drawn to an allegation that, though the S.T.C. had a Managing Director, Government exercised much larger measure of control than was expected in this case, the Managing Director expressed the view that a Corporation of this kind must be fully controlled by Government. The Managing Director added that, correctly speaking the S.T.C. should function as a department of Government under the Ministry, Board or the P. & T. Board and the policies of the Corporation must be subject to very intensive policy control by the Government. However, for flexibility of operation, it had to give a company form. In day-to-day administration the Corporation was free from interference but in actual working the Corporation was functioning in the same manner as any other department of Government. However, it was manned mostly by Government Officials. He hoped that in course of time, the Corporation would evolve its procedure.

13. Asked whether the S.T.C. would be more flexible if it was placed on a statutory basis the Managing Director doubted whether that would improve its flexibility.

14. Asked what specific reform he would envisage in the working of the Corporation, the Managing Director stated that the system of attached financial advisers should be changed. There should only be one financial officer and no financial advisers. The financial responsibility must be vested in the Directors of the Corporation and they must be held responsible. When further asked whether under the present arrangement the Managing Director did not have an overriding power over the Financial Advisers in the S.T.C., the Managing Director stated that theoretically he had that power but it was not so easy in actual practice to control the Financial Advisers as the morale of the Corporation was likely to be affected. The Managing Director stated that the power which the Corporation exercised was so great that in his opinion, the officers and policies of the Corporation must be subject to very intensive policy control by the Government. The Corporation had no freedom to trade in whatever commodity it liked. The limit of operations of the S.T.C. had been laid down by Government and only the executive Board of Directors were free.

#### Relation with Government

15. Asked whether Government issued written directives to the S.T.C. and whether such directives could not be shown in its annual

reports as was done by U.K. Corporations, the Managing Director stated that directives could be given statutorily by the Government in the case of statutory corporations. As the S.T.C. was not a statutory corporation the Government was not required to give any directive. The Government had, however given the Corporation a set of instructions to regulate its working. Further, occasionally the Government would ask the Corporation to take up this or that kind of work and in all such cases the Corporation would get communications from the Government. The Managing Director felt that as the Corporation was carrying out the objectives of Government there was no need to publicize the directives and instructions received from the Government in its report.

16. In this connection the Managing Director informed the Sub-Committee that so far the initiative on all matters had come from Government and the Corporation had not suggested to Government the direction in which it should expand though he agreed that the S.T.C. should do so.

#### **Liaison with Private Sector**

17. The representative of the Corporation stated that at present there was no formal machinery for maintaining liaison between S.T.C. and the Private Sector. He, however, agreed that it was desirable to have a Co-ordinating body, in order to establish greater understanding and better feeling between the two sectors.

#### **Scope of Functions**

18. Asked for his views about the complaint that the S.T.C. had supplanted trade instead of supplementing it the Managing Director stated that the activities of the Corporation had not resulted in supplanting any private trade. He added that when the S.T.C. purchased or sold anything it made use of the services of the exporters and importers who were established in the field.

19. Asked as to why it was necessary for the S.T.C. to take over the import of tyres, the Managing Director stated that there was a critical situation in the country due to shortage of tyres and very high prices. It was, therefore, decided that in order to meet the emergent situation the S.T.C. should import a limited number of tyres. He further added that the import of tyres was entrusted to the S.T.C. because a view was taken that one of the reasons for the high prices prevailing in the market was the monopoly and failure of the distributing organisations. It was apprehended that if the import of tyres were to be left to the established importers they might have exploited the situation and it might not be possible to ensure that the tyres were sold at fixed prices. Moreover it was proposed to import the tyres on rupee payment from the Communist countries. He informed the Sub-Committee that the S.T.C. was at present selling the tyres directly to the *bona fide* users.

## Iron Ore

### (i) *Monopoly in the trade*

20. As regards the monopoly of the S.T.C. in the Iron Ore trade, the Managing Director stated that in certain commodities like mineral ores, the State had to undertake the organisation of exports because it entailed a considerable amount of investment and also required organisation of transport from the mines to the ports which could be done only if there was a single organisation responsible for the movement. If a number of exporters were in the field, then the plots at the loading stations and at the ports would have to be divided up and there would be an uneconomic use of the existing facilities. In this connection he informed the Sub-Committee that all over the world, iron ore and manganese ore trade were in the hands of large Corporations—either they were State-owned Corporations or they were big mining Companies who were practically holding monopolies in the field.

21. Asked whether the established shippers in the field could not have been asked to organise themselves to deal with the situation the Managing Director replied in the negative and stated that even in those cases where it had been suggested to the traders to do so, the results had been disappointing. In this connection he informed the Sub-Committee that the Ministry and the S.T.C. had repeatedly suggested to the dealers in vegetable oil that they should form an association of exporters but the dealers had failed to come to an arrangement among themselves.

22. Asked whether it would be feasible for the S.T.C. to organise a trade and hand it over to private people and take up the organisation of some other trade which was not organised, the Managing Director stated that it might be feasible in commodities like vegetable oil but in his opinion the State would have to remain in certain fields like the trade in ores.

### (ii) *Purchase of Iron Ore*

23. As regards the procedure of purchase of iron ore from mine-owners, the Managing Director stated if the S.T.C. did business on tender basis it was likely to ruin the industry and trade. The procedure therefore was as follows:

For each area the cost of mining, the cost of transportation and other elements had been worked out and a price was fixed for delivery of the ore at the loading station grade-wise, and that price was offered to all mine-owners in the area. Besides, the quantity to be purchased was fixed according to a formula related to the size of the mine and the deposits of ore. He added that the S.T.C. had spread its purchases on an equitable basis over as many suppliers as possible. In this connection the Managing Director informed the Sub-Committee that there was over-production of iron ore in the country and as a monopoly buyer the S.T.C. could not work purely on commercial terms. The Corporation had therefore to distribute its purchases.



24. While on the subject the representative of the Corporation stated that S.T.C. generally bought ore from two categories of suppliers i.e., (i) Mineowners, and (ii) from those exporters who had quotas to export before the S.T.C. was given a monopoly. From shippers S.T.C. bought only to the extent of the quota they had but in respect of mineowners there was no limit. In order to assist persons who had been repatriated from Ceylon, a small order had also been placed on them for the purchase of ore. The emphasis was, however, on buying directly from the mineowners.

25. The Managing Director further informed the Sub-Committee that there had not been a large demand for Indian Iron Ore in the world market and it was gradually rising. S.T.C. was, however, able to increase the quantity sold to Japan this year by half a million ton more over last year's sale figure.

*(iii) Carriage of ore by Indian Shipping Companies*

26. The Managing Director informed the Sub-Committee that 15% of this total export to Japan was available for Indian shipping at the same terms as were given to Japanese shippers. In this connection he pointed out that Indian Shipping Companies were not business-like and consequently he had to listen to very caustic criticism from the Japanese Steel Mills about the manner in which the Indian Shipping Companies were dealing. Indian Shipping Companies had no office in Tokyo and further their agents hardly visited the offices of the Steel Mills while the Japanese shipping lines were all the time in their office putting pressure on them.

*(iv) Price of Iron Ore*

27. As regards the price of the iron ore sold to Japan the Managing Director stated that it was 80 shillings per ton during the current year as compared to 84 shillings year before and even then it was certainly higher than the international price. The price obtained by the S.T.C. was also the highest as compared to prices paid by Japan to any other country for supply of Iron ore. S.T.C. was not giving any rebate to Japan under the existing agreement. S. T. C. was unable to sell iron ore in Europe because the price of Indian ore was 15 to 20% higher than the Swedish price for corresponding quality. As the Japanese were paying a higher price the Corporation did not want to sell it cheaper to anybody else. On its being pointed out to him that the present price fixed for ores supplied by Rajasthan miners did not have any margin of profit, the Managing Director said that this was due to heavy Railway freight in the Sector for transportation to Kandla and the S.T.C. actually exported at a loss through that port.

*(v) Iron Ore trade by the Private Sector*

28. When asked as to why a part of the trade should not be left to the private sector just like Manganese Ore trade, the Managing

Director stated that in his view a public owned Corporation should handle trade on a monopoly basis or not at all as there was no point in having internal competition between the private sector and public sector. Moreover when the two sectors were operating side by side an opportunity would be given to the foreign buyers to divide and rule and for that very reason he was not able to sell Manganese Ore to the Japanese buyers. Asked whether the S.T.C. was more acceptable to the Communist countries than to the U.S.A. he said that such ideological considerations did not weigh in business. With his experience of two years he could say that most of the Communist buying and selling organisations would like to deal directly with the private traders to get favourable prices.

(vi) *Indian Delegations to Japan*

29. When asked as to why every time an Indian delegation went to Japan for price fixation of the Iron Ore, the Managing Director stated that it was not for price fixation but for other long term purchases. Further the Japanese told them that it was customary for the seller to go to the buyer. The Sub-Committee then desired to know whether it was desirable to enter into such long term contracts for export of iron ore. The Managing Director stated that there was ample scope for even further enlarging exports of iron ore without any prejudice and that his view was supported by the Ministry of Steel, Mines and Fuel and the Director of the Bureau of Mines.

(vii) *Low Grade Iron Ore*

30. The Managing Director also informed the Sub-Committee that the S.T.C. was exporting 150,000 tons of low grade iron ore from Port Redi to Japan and 100,000 tons to Czechoslovakia—practically the entire annual production. He further stated that S.T.C. was now exporting low grade iron ore in greater quantity than what-ever was being exported earlier.

*The Sub-Committee then adjourned at 17-30 hours.*

### III

#### **Ninth Sitting of the Sub-Committee on Public Undertakings**

14th November, 1959

The Sub-Committee sat from 10-00 hours to 13-00 hours.

#### **PRESENT**

Shri H. C. Dasappa—*Chairman.*

#### **MEMBERS**

2. Dr. Sushila Nayar
3. Shri T. N. Viswanatha Reddy
4. Shri Surendranath Dwivedy
5. Shri C. R. Basappa
6. Shri Bhausaheb Raosaheb Mahagaonkar
7. Shri M. Muthukrishnan
8. Shri A. M. Tariq
9. Sardar Iqbal Singh

#### **SECRETARIAT**

Shri A. K. Ray—*Deputy Secretary.*

Shri R. K. A. Subrahmanya—*Under Secretary.*

#### **WITNESSES**

#### ***Representatives of the S.T.C***

Shri C. M. Poonacha—*Chairman, The State Trading Corporation of India Limited.*

Shri D. Sandilya—*Managing Director, The State Trading Corporation of India Limited.*

The Sub-Committee resumed their examination of the estimates of the State Trading Corporation of India and in that connection took the evidence of the Chairman and Managing Director of the State Trading Corporation.

#### **Iron Ore**

##### **(i) Low Grade Iron Ore**

2. The Sub-Committee desired to know how much low grade iron ore was being mined in India. The Managing Director replied that it was mined in three areas, Barajamada, Nayadupeta near Madras, and Port Redi on the West. Practically the entire production in Nayadupeta

and Port Redi was being bought by the S.T.C. while Tatas and others bought from the Barajamada area. He said that the production of low grade iron ore in the country had increased considerably. He added that before the S.T.C. came into the picture the export of low grade iron ore was about a quarter of a million ton. It was very much more now. He further informed the Sub-Committee that there was a change taking place all over the world in the grading of ore consumed by the blast furnaces. After maximising their mining in the local areas, the foreign countries imported high grade ore for blending but gradually the design of the blast furnace itself was changed. They would be quite prepared to buy low grade ore from overseas provided transportation was sufficiently economical.

3. In this connection the Managing Director informed the Sub-Committee that for the present the ore of lower than 58 per cent Fecontent was not being considered for export and even before the S.T.C. came into the field such ore was not being exported.

#### (ii) *Movement of Iron Ore*

4. The Managing Director stated that certain sections of Indian Railways had large capacity but corresponding port facilities did not match. For instance, the Railway capacity from Guntakal to Bombay was quite large but he had not got enough ore to be loaded at Guntakal or Timacharla because the plot and loading facilities were inadequate and the feeder services on the Bellary-Hospet metre-gauge to Guntakal had been fully used up. The S.T.C. was, therefore, moving large quantities of ore by road directly from the Mines to Guntakal and loading them at Guntakal and despatching them to Bombay. But Bombay Port was designed to export not more than 4 lakh tons of iron ore, it was mainly built for manganese export. There was also some difficulty about the draft of the ships that might go into Bombay. Thus while there was railway capacity available, additional facilities were required at the port. On the other hand iron ore could be exported from Calcutta upto 1.5 million tons but the railway capacity from Barajamada to Calcutta was extremely limited.

5. In this connection the Managing Director informed the Sub-Committee that having regard to the disposition of the deposits in India and the need for the Indian Steel Plants the Bellary-Hospet area would be the main source of iron ore for export for the whole of India. He added that the most economic way of transporting the iron ore from that area for export was to build a broad gauge railway line from Guntakal right upto Hospet. This proposal had been put upto the Railway Board and the latter had agreed to examine it.

6. Under the World Bank Loan which the Madras Port received, it had installed loading facilities which would come into operation by July or August 1960 and with these facilities it would be capable of loading ores at least 4000 tons to 5000 tons a day. In that situation the port facilities would have increased but the railway facilities even

on the broad-gauge line from Guntakal to Madras would be very restricted. That would then have to be stepped up.

7. Pointing out that the Hospet ore was going largely to Karwar the Chairman desired to know what arrangements had been made for transport of the ore to Karwar. The Managing Director explained that at present the Railways were capable of running two trains a day from Hospet to Raoli and the ore brought to Hubli by those two trains was taken by road—a distance of 120 miles—from Hubli to Karwar. In addition to that because the capacity of Karwar was considerable and the Corporation wanted to make full use of the capacity, it was also carrying the ore all the way by road from Hospet to Karwar.

8. The Chairman enquired whether in such circumstances it would not be desirable to connect Hospet to Karwar by rail, the Managing Director stated that there was some difficulty in doing so. Firstly, apart from the ore traffic the other traffic on that line would be of diversionary nature and not new traffic; secondly, the comparison of the two schemes namely, to connect Mangalore-Hassan and Hubli-Karwar had led the Railway Board to prefer the Mangalore-Hassan alignment; and thirdly, the Ministry of Transport had examined the feasibility of establishing a major port at Karwar or Mangalore and they had come to the conclusion that a major port at Mangalore would be cheaper.

9. Explaining the present proposals with regard to the movement of iron ore from Hospet the Managing Director stated that after the Mangalore-Hassan line was built, it was also proposed to connect Kottur with Harihar. Kottur was one of the stations south of Harihar—a distance of only about 25 miles and if the two places were linked up, there would be a continuous line from Bellary-Hospet to Mangalore. The proposal had been accepted by the Railway Board but the approval of the Planning Commission was still to be obtained. The Planning Commission, however, wanted an assurance that there was a firm agreement or a contract that the buyers would buy at least a million or a million and a half tons of iron ore from Mangalore and only after that Government would invest money in this project. The Managing Director informed the Sub-Committee that when the whole project was furthered it would be possible to export about a million and a half tons of iron ore per annum from Mangalore.

Asked about the possibility of the Japanese putting up the railway line in the West Coast, the Managing Director stated that they were only too willing to do so and they would also like to own the mines. Government would, however, not like any foreign party operating in this country except as collaborators or as buyers. They were in fact collaborating in the Roukela mining project but they were more interested in developing the port at Visakhapatnam than at Mangalore.

(iii) *Extent of Dependence of Iron Ore*

10. The Managing Director further informed the Sub-Committee that India could well expect to export iron ore for the next 20 to 30 years even if the target of producing 10 million tons of steel by 1965 was doubled. Export of Iron Ore was one of the principal means of earning foreign exchange.

(iv) *Export of Pig Iron*

In reply to another question, the Managing Director stated that in his opinion the Government should enter into short term agreement for export of iron ore and the money earned thereby should be utilised for building up their furnaces and thereafter steel and pig iron might be exported from India. He also informed the Sub-Committee that the Japanese were interested in buying pig iron from India and the S. T. C. was negotiating with them for export of pig iron in substantial quantities. He added that the only big suppliers of pig iron to Japan could be India.

*Supply of Iron Ore to Indian Steel Mills*

12. As regards supply of Iron Ore to the Indian Steel Mills, the Managing Director stated that each Steel Plant had its own source of supply. The S. T. C. was, however, supplying Iron Ore to the Steel Plants in the Far East for a short period as an interim arrangement at the instance of the Far Eastern Steel Board. The reason why the Far Eastern Steel Board desired S. T. C. to supply the Ore was that if they got the iron ore from a large number of mine-owners, the railway movement could not be organised. The S. T. C. had pooled the requirements of Steel Mills with the requirements for export and the total quantity of iron Ore had been distributed among the suppliers on an equitable basis.

13. Asked whether S. T. C. had developed any new market for iron ore the Managing Director stated that Rumania and Yugoslavia were the new markets which had been developed by S. T. C. Besides the export to Japan had been increased.

14. In reply to another question the Managing Director informed the Sub-Committee that though S. T. C. had a monopoly in iron ore it encouraged the mine-owners to export low grade ore which S. T. C. could not buy. In such case, the export was canalised through S. T. C.

*Manganese Ore*

(i) *Justification for State Trading in Manganese Ore*

15. The Sub-Committee then enquired as to why S. T. C. entered into Manganese Ore trade. The Managing Director stated that S. T. C. entered into this trade with a view to obviate competition between the exporters and also to organise a steady export of iron ore. In this connection he informed the Sub-Committee that

since the Korean war and more particularly since the Suez crisis there was a great uncertainty in the export of Manganese. So most of the countries who were buying Indian Ore were turning to other sources and competition was growing in the world market for manganese ore and there was a gradual decline in the export. There was, therefore, a fear of losing the market altogether.

16. When it was pointed out that according to the figures furnished by the S. T. C. and the Ministry to the Committee the exports of Manganese ore were actually rising instead of declining before S. T. C. entered the field, the Managing Director stated that according to the appraisal of Government it was necessary for the manganese ore export to be placed on a stable basis because of the growing competition. He also added that several mine-owners had sought the assistance of S. T. C. for exporting their ore.

(ii) *Allotment of Quotas and Performance*

17. The representative of the Corporation informed the Sub-Committee that the S. T. C. took up the trade in manganese late in 1956. It was given a quota of 33 1/3%. The actual quantity handled by the Corporation was very small. Its shipment that year was negligible as against 1.3 million tons of the private sector. During 1957 the Government revised the policy and allotted 50% of the total quota of export of manganese to S. T. C. and the balance was given to the private sector. Against the quotas of 9.8 lakh tons allotted to S. T. C. its shipment was 3.95 lakh tons. Against the quota of 8.76 lakh tons allotted to the private sector the quantity shipped was 4.41 lakh tons. Thus, they pointed out, that with the tradition and contacts and with all the facilities provided even the private sector's performance was not upto the quota fixed for it. They attributed it to the general decline in the overall trade position.

18. When it was pointed out that the performance of the private sector was much better than that of S. T. C. it was stated that in a period of recession the private sector was in a better position than the S. T. C. because of its old contacts.

(iii) *Control over Rail Movement*

19. When it was pointed out that the private sector complained that they could not export to the full extent of their quota because of the difficulty in getting railway wagons to move their ore due to the wagons having been reserved for the S. T. C., the representative of the Corporation stated that it was entirely untrue and that the Railway Board did not give any special preference to the S. T. C. The allocations of wagons were made by the Railway authorities according to the quota and each party was free to utilise the capacity allocated thereto. Against the quota of the S. T. C. when orders were placed on the mineowners, the Corporation authorised them to utilise the wagons allotted to it and recommended wagon allotment in their

favour. Otherwise the S. T. C. had nothing to do with the quota of the private sector. The Managing Director, however, agreed that some mineowners must be dependent upon the S. T. C. for movement of their ore over certain sections when the availability of wagons was small.

*(iv) Increase in Quota of S. T. C.*

20 Asked about the reason for the increase of S. T. C.'s quota from 33 1/3% to 50% within a year (from July 1956 to July 1957), the Managing Director stated that in 1957 the S. T. C. was negotiating with large mineowners for a joint sales programme of their production. In order to implement that programme it was found necessary to enlarge the quota of the S. T. C. so as to allow larger quantity to be exported. He further stated that this allocation had no relation to the actual performance because at the time the quota was raised the S. T. C. had dealt with manganese ore only for a few months and it would not be correct to base the quota on the performance during that period. He added that the rise in the quota of S. T. C. was in the direction of general policy as in the case of iron ore. With this difference that while in iron ore 100% quota was given to S. T. C. Government wanted to be more cautious with regard to manganese and hence allotted only 50% quota.

21. In reply to another question the Managing Director stated that S. T. C. was not interfering with the Manganese Ore trade of the private sector but was trying to harness their experience and their ability and was only strengthening the market contacts which they had built up in the past. The whole object of this joint marketing was to give the producer considerably more movement and shipping facilities so that his production could be sold to his traditional buyers.

22. Asked as to whether by the reduction of the quota by 50%, the small mineowners had been adversely affected, the Managing Director stated that it was not so because the total quota was in the hands of shippers and when a portion of it was given to S. T. C. the quota of the shippers was reduced. Thus the mineowners were not affected. In some cases, however, the mineowners were also shippers but most of them were big mineowners and when their quota was also reduced, the S. T. C. entered into joint marketing arrangement so that S. T. C.'s quota was made available to them to make up the deficit which they had suffered in their quota. Under this arrangement he could not sell his quota without the approval of the S. T. C.

23. As regards the other mineowners they had taken to supply their ore to the S. T. C. instead of the shippers. The Chairman desired that a statement might be furnished showing the quantity of ore shipped by the shippers who were non-mineowners and the quantity shipped by the mineowners who were also shippers.



### **Business Associates**

24. The Managing Director informed the Sub-Committee that S.T.C. had both Indian and foreign firms with whom they had joint marketing business. The foreign firms had been more co-operative than the Indian firms as they had come to an association and working agreement with S.T.C. Asked about the percentage of business done through the business associates in India which were foreigners, the Managing Director stated that it would come to 33 1/3 per cent of his quota of Manganese Ore. The Chairman desired that the exact figures in this respect might be furnished.

### **Non-fulfilment of Contracts**

25. The Managing Director informed the Sub-Committee that there had been no case where S.T.C. entered into a contract to supply Manganese Ore and the buyers' ships had to go back without the cargo. S.T.C., in fact, never failed to supply ore at the port at the stipulated time. But there had been cases where the ships were loaded with a different grade of ore instead of the contracted one but such a thing had happened in the beginning when S.T.C. had to work under great handicaps. Such cases were only to the extent of about 3 to 4 per cent. The Managing Director was requested to give a list of such cases with dates.

### **Canalisation of Contracts**

26. The Managing Director stated that the canalisation of contracts was very unpopular in the beginning but it was becoming more popular now as S.T.C. had reduced the commission charges for such canalisation. The Sub-Committee was further informed that canalisation would arise where a mine-owner or a shipper had entered into a contract with his buyer and found that he could not fulfil that contract with his own quota. He would, therefore, require an addition to his quota to enable him to fulfil his contract. It was in such cases that S.T.C. canalised their contracts. S.T.C., in no case, had refused canalisation but actually encouraged people to sell by themselves. Previously the S.T.C. charged a Commission of 6½ per cent on such contracts but they had now reduced it to about 1½ per cent to 3 per cent and it was more or less nominal. The commission charged was mainly for the service rendered by the S.T.C. by way of making available the plot facilities at the loading station and also the port facilities. In some cases S.T.C. had given advances and various other facilities. Such canalisation was about 10 per cent only of S.T.C.'s quota. The Managing Director promised to furnish figures in this respect.

*The Sub-Committee then adjourned at 13.00 hours.*

#### IV

#### Tenth Sitting of the Sub-Committee on Public Undertakings 14th November, 1959

The Sub-Committee sat from 17.15 hours to 20.45 hours.

#### PRESENT

Shri H. C. Dasappa—*Chairman*.

#### MEMBERS

2. Shri T. N. Viswanatha Reddy
3. Shri Surendranath Dwivedy
4. Shri C. R. Basappa
5. Shri M. Muthukrishnan
6. Shri A. M. Tariq.

#### SECRETARIAT

Shri A. K. Ray—*Deputy Secretary*.

Shri R. K. A. Subrahmanya—*Under Secretary*.

#### WITNESSES

#### *Representatives of the S.T.C.*

1. Shri C. M. Poonacha, *Chairman, The State Trading Corporation*.
2. Shri D. Sandilya, *Managing Director, The State Trading Corporation*.

The Sub-Committee resumed their examination of the estimates of the State Trading Corporation of India and in that connection took the evidence of the Chairman and Managing Director of the S.T.C.

#### Manganese Ore

#### (i) *Canalisation of Sales of Manganese Ore Through the S.T.C.*

2. The Chairman S.T.C. stated the figures of export of manganese ore from 1954-55 to 1958-59 and upto date figures of 1959. He also indicated the total quantity of manganese ore export of which was canalised through the S.T.C. in 1958-59, the volumes of direct sales effected and anticipated sales and the quantity expected to be exported by the S.T.C. in 1959-60 with the break up of quantities covered by barter deals, canalised contracts, joint sales programme and direct purchases. He held that though the export of Manganese ore trade had come down very low in 1958 it was now slowly picking up. He was requested to send a note on the matter.

(ii) *Quota System*

3. When asked about the fixation of quota of Manganese Ore, the Chairman S.T.C. explained the existing quotas for the established shipper, mine-owner exporter and the S.T.C. were based on the basis of the year 1956-57 in which year it was fixed as 50 per cent of the previous year's performance. In the case of the firms and parties whose individual allotments were small they were advised to form into co-operatives and limited companies on promise of bonus quotas. He stated that this was based on the latest policy statement laid down by Government. The Managing Director of the S.T.C. was requested to send a copy of the announcement. In this connection the Managing Director explained that the mine-owner who did sizeable mining but did not export on his own before, had not been given any export quota but he could sell his ores to the S.T.C. or private shippers. He said that in buying Manganese ore first preference was given to mine owners who however got certain financial concessions from private shippers which the S.T.C. could not give.

4. As regards the agreement with West Germany regarding the Supply of Manganese ore in lieu of fertilizers, the Managing Director stated that the agreement had not so far been finalised but negotiations were going on with the West German manufacturers of fertilizers.

5. Regarding canalisation of contracts, the Chairman S.T.C., stated that the private trader would come to S.T.C. for canalisation because he might have exceeded his quota limit and he might not be able to transfer his quota to the extent required under a particular contract. Moreover, everybody was anxious to completely utilise his quota in his own name so that he could be in a position to build up a claim for the next year. S.T.C. in such cases would generally help the private shipper by allotting part of S.T.C.'s quota to such a private party.

(iii) *Barter deals*

6. The Managing Director further informed the Sub-Committee that according to the latest announcement all goods under barter deal would be made available to the mine-owners and shippers who joined in the Joint Marketing arrangements so that such contracts could be shared on an equitable basis with them. So far as barter deals were concerned, these were generally reserved for the S.T.C. as for accounting purposes, it was necessary that S.T.C. must be held responsible for the earnings of foreign exchange and also for the expenditure of foreign exchange. In practice though all transactions would be routed through S.T.C., the Corporation would ask private parties to ship ore directly on its behalf.

7. When asked about the agreement entered into with U.S.A., the Managing Director stated that there was a barter agreement between the Government of India and the Government of U.S.A. for an exchange of 450,000 tons of wheat on their side and manganese and ferro-manganese and certain other materials on this side. Under this agreement, the U.S. Government nominated the Committee Credit

Corporation and the Government of India had nominated the S.T.C. There was a letter exchanged between these two Corporations as to the procedure of implementing this deal. In reply to a question, the Managing Director stated that there was no reluctance on the part of these free democracies of the West to deal with S.T.C. directly. As regards the prices, the Managing Director stated that under this agreement, the prices for either the wheat or Manganese ore had not been fixed and that these would be fixed now.

(iv) *Business Associates*

8. The Managing Director informed the Sub-Committee that majority of their Business Associates were Indians. The Sub-Committee then desired to be furnished with the lists of Business Associates, indicating where the controlling interests were purely Indian or Foreign, which the Managing Director promised to furnish.

(v) *Fixation of Prices of Manganese ore*

9. As regards the fixation of prices of Manganese ore, the Sub-Committee were informed that these differed from area to area and the prices had been fixed in consultation with the Director of Bureau of Mines who was also a Director of the Corporation.

**Constitution of an Advisory Body**

10. In reply to a question, the Managing Director agreed that it was desirable to have an advisory body in which various interests were represented to establish liaison between the S.T.C. and private trade.

**Ferro-Manganese**

11. The Sub-Committee were informed that the installed capacity of the existing plants producing Ferro-Manganese was roughly of the order of 60,000 tons and two more plants were coming up. As the internal consumption was rather low there would be considerable surplus. In fact export of Ferro-Manganese had now become an extremely pressing and difficult problem to S.T.C. and to the producers of ferro-manganese because the cost of production of ferro-manganese in India was high while the world prices at the moment were very low. We could sell Ferro-Manganese to other countries if our cost of production was very low. As regards exports, the Managing Director stated that under the barter agreement entered into with the U.S.A. there was a provision for export of 100,000 tons of Ferro-Manganese but the capacity for production of Ferro-Manganese to the required extent had not been built up.

12. In reply to another question, the Managing Director stated that the S.T.C. had found a new market in Rumania for export of Ferro-Manganese but they had not found any new markets for Manganese ore. Thus, for Manganese it was a question of fighting for the retention of the old markets.

### Cement

13. The Sub-Committee desired to know the genesis of the Cement Control Order. The Managing Director stated that even before the S.T.C. was in the cement business, some imports of cement were being organised by the Ministry of Commerce and Industry. The only reason why it was necessary for a central organisation to handle both exports and imports was the equalisation of freight and fixation of a destinational price on a uniform basis. That was why the Cement Control Order was promulgated and the S.T.C. was made the centralised organisation. The Managing Director further informed the Sub-Committee that there were two kinds of equalisation, *i.e.*, one, the original equalising of prices of imports with the prices of indigenous production and second, pooling of the freight. These necessitated a central accounting agency. Since it was not possible for private industry readily to bring about a centralised organisation, and the S.T.C. was ready at hand, the Government passed on the responsibility to the S.T.C. Referred to the statement that the cement business had offered to take up the work of pooling prices and uniform distribution rate at no profit, the Managing Director said that he was not competent to comment on it as it was a matter which was discussed by the Ministry of Commerce and Industry with the Cement Industry. The S.T.C. was only the resultant of these discussions. As far as he knew it was not possible for the industry to develop a centralised organisation which could do it. He further stated that when the import of cement in the country was no longer necessary the producers of cement and the cement marketing organisations were asked whether the S.T.C. might withdraw from this trade but they suggested on the contrary that it was necessary for the S.T.C. to remain. They also said that if the S.T.C. went out of the picture, there would be a great deal of unhealthy competition between the factories and the new factories which were going into production would be exposed to certain difficulties. So for various reasons the producers and the Government came to the conclusion that the S.T.C. should continue to handle this. It was now with the willing co-operation of the cement producers and the cement marketing agencies that the S.T.C. was in this business. On being questioned about the target quantity for import of cement, which would have formed the basis of fixation of the pool price, the Managing Director regretted that he could not straightaway give the figure but promised to furnish it. The Managing Director said that it was by the beginning of 1957-58 that he realised that the import would be very much less than the target. On being asked why the amount of subsidy was not immediately reconsidered he replied that the question should be put to the Ministry of Commerce and Industry as the S.T.C. did not fix the price. On its being put to him that a premier Government Organisation like the S.T.C. could not simply disavow all responsibility for at least bringing the matter to the notice of the Ministry, he said that full picture was brought to the notice of Government in about 3 months time but the Government did not direct him to reconsider the question. Asked whether the fact that the increase of excise

duty from Rs. 20 to Rs. 24 per ton of cement did not lead to any increase in the end price indicated that there was at least a cushioning of Rs. 4 per ton in the existing price structure of cement, the Managing Director said that this was not a profit of the S.T.C. but went to Government. The policy making wing of the Government was fully aware of this. The S.T.C. was merely getting a profit of  $1\frac{1}{4}$  per cent, since reduced to  $\frac{1}{2}$  per cent which just covered its expenses. When asked about the fixation of price of the cement, the Managing Director stated that the question might be more appropriately put to the Ministry of Commerce and Industry as they fixed the price of the cement. When it was pointed out that the different elements of the price structure of unit quantity of cement furnished by the S.T.C., like the weighted average ex-works cost, agency commission, freight charges differed appreciably from the actual cost of acquisition of cement or actual expenditure on other items as calculated from the S.T.C.'s own annual accounts, and that even allowing for the higher rate of excise duty for the entire period when a lower rate prevailed during a part of the period, a margin over actual cost to the extent of Rs. 5.66 per ton was indicated, the Managing Director said that this would have to be checked. He, however, said that the price structure was in the nature of an estimate and admitted that there was certain cushioning in the present price of the cement which led to the accrual of substantial gain to Government through the cement surplus fund. He also admitted that the price of cement was unconsciously high for the consumers and that if the price was reduced, there was every likelihood of internal consumption which stood at 33 lbs. *per capita* as compared to lowest consumption figure of 420 lbs. *per capita* and the highest figure 847 lbs. *per capita* in other countries. He added that 50 per cent of the cement placed in the internal market was consumed by the Central and State Governments. As regards export, the Managing Director stated that they had exported 2.5 lakh tons of cement and programmed to export four lakh tons as temporarily there was so much surplus in the country. He further added that when the steel supply position would become a little easier, there might not be any surplus.

14. The Sub-Committee further pointed out that cement was being sold in Kashmir, Assam and Tripura at high varying rates. The Chairman and Managing Director of S. T. C. in reply stated that the F.O.R. destination prices of cement were all uniform. In these areas the lead from the railway station to the consuming points was by road through very difficult part of the country and the charges were high. The Committee then pointed out that this difficulty could be perhaps solved if cement in Kashmir was sent through N. W. R. out agency. The Chairman of the Corporation agreed to take up the matter with the Railways.

#### Export of Jute

15. The Sub-Committee was informed that, apart from the export of gunny bags, S. T. C. had a monopoly in the export of raw jute be-

cause the surplus which had to be exported was really very small. Moreover Government was not in favour of exporting raw jute unless it was warranted by immediate and emergent situation on account of a large surplus. The raw jute prices now were quite high. In reply to a question the Managing Director stated that S. T. C. had suffered a loss of about Rs. 3 lakhs in one case over a supply of three million heavy jute bags to China and that there had been no other case of any loss. The S. T. C. had to suffer loss in this case as the tenderer, whose integrity and dependability was known to the Corporation, failed to supply the jute bags. The S.T.C., however, took action against him and as a result he had paid Rs. 1500 or so to the extent of damages for which he was held responsible. The Managing Director was asked to furnish a note on the case.

#### **Export of Shoes to U.S.S.R.**

16. The Sub-Committee were informed that two orders for export of shoes to U.S.S.R. were placed on private firms after taking into account the full capacity of N.S.I.C. which was a new organisation. Out of these firms, one was a large manufacturer and the other an enterprising entrepreneur. The maximum quantity which the NSIC could supply had been procured from them and the balance was taken from two private firms. The Sub-Committee then pointed out that 54,000 pairs of shoes, which were got fabricated by the NSIC at the instance of the S.T.C., were in stock with NSIC as the S.T.C. had failed to lift the stock and that NSIC might suffer a heavy loss on that account. The Managing Director, in reply, stated that no such order had been placed by the S.T.C. and how the 54,000 pairs of shoes were to be disposed of was a matter for settlement between NSIC and S. T. C. It was, however, not a left over of the previous order which S.T.C. had placed on NSIC.

#### **Promotion of exports of other items**

17. The Sub-Committee were informed that the Corporation had not met with much success in promoting exports of goods for which there was now no market. The Corporation had a research wing which was not well equipped but still not unsatisfactory. The Chairman S.T.C. further informed the Sub-Committee that they were making every effort to promote the export of such items for which there was now no market at present. They, however, insisted upon the foreign countries which were entering into trade agreements with India to buy a certain percentage of some commodities which India was prepared to sell. That kind of an attempt was being made and with a certain amount of persuasion they could push up these things but they had to set up offices abroad first.

18. While on the subject, the Managing Director stated that S.T.C. had suffered a loss of about Rs. 1,20,000 over the export of tobacco to U.S.S.R. in a transaction of Rs. 20 lakhs approximately in the first year as the Tobacco Export Promotion Council, which was asked to purchase tobacco for S.T.C., failed to deliver the goods. As regards fabrics,

the Managing Director stated that they had marketed some quantity but unfortunately Indian capacity was very limited although there was really a growing and big demand for woollen textiles from the Eastern European countries. Further the quality of the goods which Indian mills were producing had not been very satisfactory and not upto the Russian standards.

19. So far as coffee was concerned there was no difficulty about marketing abroad but S.T.C. came into the business in a very small way *i.e.* as insofar as it related to suppliers to the East European countries. There was no proposal at present for S. T. C. to take up the export of tea. Questioned about the utility of having different commodity Boards for export, the Managing Director said that if export trade was to be organised on the basis that more and more of trade would pass through public owned Corporation it would be better for each of these commodity producers to do their own export. When pointed out that while exports to China and East Germany were declining, the imports from these countries had increased, the Managing Director stated that actual position in regard to China was the very opposite of it this year as export was more than what S. T. C. had imported from China. As regards East Germany, it was a question of rupee balance and it balanced itself out over a period of time. If in one year they had more imports and exports, next year it would be the other way round.

### Imports

20. The Sub-Committee were informed that S.T.C. was at present studying the question of import and distribution of copra in the country, as already recommended by a Study Group which had gone into this question.

21. The Sub-Committee pointed out that there had been some complaints about the prices and quality of the art paper imported from East Germany. The Managing Director stated that he had not received any complaints about the prices at which they were sold. He admitted that the sale price fixed by the S. T. C. was perhaps on the liberal side and said that there had been complaints that the paper was actually sold at prices higher than the attractive prices fixed by the S.T.C. He was requested to send a note in the matter. As regards imports and distribution of Soda Ash and Caustic Soda, the Managing Director stated that the quantum of imports of these chemicals was settled by the Development Wing and that these were being distributed at present by Tatas, I. C. I. and two Associations in Calcutta and Bombay of the established importers in these commodities. Instead of giving to individual distribution, they had made this arrangement with two associations. The Sub-Committee were informed that there was no complaint from the indigenous manufacturers of Soda Ash regarding S. T. C.'s entry into this business.

22. As regards import of non-ferrous metals, the Managing Director strongly felt that it should be exclusively handled by the S.T.C. as at



present each individual importer imported independently his own quota and sold it at a very high price. The matter had already been brought to the notice of the Ministry. When asked about the advisability of setting up a Consumers' Council and Rates Tribunal with a view to safeguard the interests of consumers against the arbitrary fixation of price by the authority, the Managing Director stated that he did not feel the necessity of such a body.

23. In reply to a question about the desirability of sending frequent trade delegations, preferably small, to deal with or study special problems, the Managing Director said that they were thinking on these lines. He stated that he was now proposing to send a delegation composed of the representatives of the private trade to Indonesia with a view to deal with or study the special problems there as the entire character of the foreign trade in that country had been altered consequent to the setting up of eight Corporations to handle all the export and import trade of the country. Further these Corporations desired to deal with corresponding governmental organisations like the S.T.C.

24. The Chairman then referred to a case where S.T.C. entered into firm commitment with a firm in 1956 for supplying of 50,000 tons of ore to Japan. Despite effecting this large sale, the S.T.C. failed to effect simultaneous purchase of ores internally to fulfil their commitments. When ultimately the buyers actually started sending steamers to lift their cargoes only then the S.T.C. began to purchase the ore. At that time they had to purchase ore at Rs. 20 to Rs. 30 per ton higher than the sale price involving a loss to the S.T.C. The Managing Director admitted that there was some truth in it and he would send a note on this.

#### **Utilisation of Indian Shipping**

25. The Sub-Committee stressed the need for utilising the Indian Shipping for carriage of iron ore to Japan. The Managing Director stated that there were bitter complaints from Japanese Steel Mills about the most unbusinesslike manner in which the Indian shipping lines had been trying to get the Japanese Steel Mills to use their vessels. They did not have even an office in Japan, or inform the Japanese Steel Mills what their fixtures were, what vessels were available and when they would ply. The S.T.C., however, did its best to get maximum tonnage for the Indian Shipping Companies. In fact, they had got an agreement from the Japanese Steel Mills to utilise Indian Shipping upto 15% of the ores shipped but Indian shipping companies had not got sufficient vessels to carry ores even to that extent. Even the offer of freight lifting given by the Japanese Mills had not been accepted by the Indian shipping lines. The tariff rates of Indian Shipping were not also competitive.

#### **Administrative Expenses of Regional Offices**

26. The Sub-Committee then pointed out that while the value of trade handled by the various regional and field offices of the S.T.C.

went up from about Rs. 34 crores in 1957-58 to about Rs. 39 crores in 1958-59, the administrative expenses went up from about Rs. 12 lakhs in 1957-58 to about Rs. 16 lakhs in 1958-59. The Managing Director stated that it was totally wrong to regard the regional offices as autonomous bodies and the functions of Regional Offices could not be bifurcated from the commodities in which they traded. The Regional Offices were just branches of the same organisation.

*The Sub-Committee then adjourned at 20.45 hours.*

## V

### Eleventh Sitting of Sub-Committee on Public Undertakings 17th November, 1959

The Sub-Committee sat from 15.00 hours to 17.30.

#### PRESENT

Shri H. C. Dasappa—*Chairman*.

#### MEMBERS

2. Dr. Sushila Nayar
3. Shri T. N. Viswanatha Reddy
4. Shri Surendranath Dwivedy
5. Shri C. R. Basappa
6. Shrimati Renu Chakravartty
7. Shri M. Muthukrishnan:
8. Sardar Amar Singh Saigal
9. Shri A. M. Tariq.

#### SECRETARIAT

Shri A. K. Ray, *Deputy Secretary*.

Shri R. K. A. Subrahmanya, *Under Secretary*.

#### WITNESSES

##### *Representatives of the Ministry of Commerce and Industry*

1. Shri S. Ranganathan, *Secretary, Ministry of Commerce and Industry*.
2. Shri K. B. Lall, *Addl. Secretary, Ministry of Commerce and Industry*.
3. Shri S. N. Bilgrami, *Joint Secretary, Ministry of Commerce and Industry*.

##### *Representative of the Ministry of Finance*

Shri K. L. Ghei, *Joint Secretary, Ministry of Finance*.

The Sub-Committee resumed their examination of the estimates relating to S. T. C. and in that connection took the evidence of the representatives of the Ministry of Commerce and Industry.

### **Genesis and Scope of functions of the S.T.C.**

2. At the outset the Sub-Committee desired to know the genesis and scope of work of the S.T.C. The Secretary, Ministry of Commerce and Industry, referred to two Parliamentary Committees which had gone into the matter and the debate in the House after the second Committee had reported at the conclusion of which the Minister of Commerce and Industry had said that a corporation would be set up. The Secretary stated that it was thus really in response to public and parliamentary opinion that the S.T.C. was set up. At the time it was set up, its scope was not defined as to in what particular commodities it would trade or to which particular countries it would direct its trade relations. Initially the S. T. C. was concentrating on trade with the communist countries or State trading countries. Although it had been trading with non-State trading countries also, the bulk of its trade was with the State Trading countries. Moreover, when the S.T.C. was originally conceived, it was not envisaged that the Corporation would undertake internal distributive trade, particularly cement, but as events subsequently developed, it was thought the S.T.C. was as good a medium as any other that could be devised to undertake the internal distribution of cement.

3. In the announcement made by the Minister of Commerce and Industry at the end of the Lok Sabha debate on the 26th August, 1955, no distinction was sought to be made between internal and external trading but from the inception of the corporation there was never an idea of handling an item which had no foreign trade implications. In the case of cement, when the S. T. C. went into it, it had a foreign trade implication by way of large-scale importation which had to be arranged at a very high level of prices.

4. On a reference being invited to the Articles of Association of the Corporation which defined its function as 'to organise and effect export from, and imports into, India of such goods and commodities as might be determined from time to time, and to undertake the purchase, sale and transport of, and general trade in, such goods and commodities in India or anywhere else in the world' and on its being pointed out that the term 'such goods and commodities' could necessarily refer to foreign trade only, the Secretary to the Commerce and Industry Ministry said that he did not think that, as per the purely legal construction of the term, internal trading was barred. He however added that the original intention was really to have domestic trade only in such commodities as had a foreign trade angle. When the Chairman said that there was no question of distributive function regarding an article going to be exported, the Secretary to the Ministry again pointed out that when internal trading in cement was undertaken, large quantities of it had to be imported. Amplifying his previous statement he added legally, if the domestic product had no foreign trade implication, internal distribution of that item in the country would not be covered by the Articles of Association of the Corporation. Questioned whether in deciding its export policy the S. T. C. had in mind the overall social policy, it was explained that the Corporation had no power or function in the matter but the

Government could and was securing that the S.T.C. functioned to fulfil the social purpose.

5. Referring to the statement of the Minister for Commerce and Industry in the Lok Sabha on 26th August, 1955, in which it was stated that Government did not countenance the proposal for state monopoly, it was asked how far the policy, as stated in Parliament by the Minister, was consistent with the monopoly of foreign trade in iron ore. It was explained in reply that the Minister's statement referred to non-acceptance of the recommendation made by the 1951 Committee for certain state monopolies but it did not rule out state monopoly which, in the case of Iron ore, had been brought about by compulsion of events. It was added that a suitable opportunity could be taken to explain this position.

#### **Monopoly of trade**

6. Asked whether he subscribed to the view expressed by the representatives of the S.T.C. that if the Corporation was to handle anything it should do it on a monopoly basis or not at all, the Secretary replied in the negative.

#### **Trade in General**

7. The Sub-Committee then referred to a general grievance of the private sector that the Corporation had supplanted rather than supplemented private trade and industry. In reply the representative of the Ministry stated that there was bound to be a measure of conflict between the private interests and what the State considered as public interests. While this grievance of the private sector might have some basis, it could not be helped in the larger interests of the people. Asked as to how far the S. T. C. contributed to increase in trade thereby leading to an increase in wealth, the representative of the Ministry stated that all the trade with the State Trading countries had been brought about by the S.T.C. Broadly speaking the position of foreign trade in India was that at the time of rising domestic demands when the production was not keeping pace and internal prices were rising, if there was no adequate State direction, exports would continue to fall. Moreover in respect of every developing economy exports would tend to fall and imports would tend to rise. As against this background bulk contracting could only be done by the S. T. C. and not by the private trader. Moreover there were certain inadequacies in the private trade channels which the S.T.C. tried to identify and provide solutions for. In attempting these solutions, certain steps were taken by the S.T.C. in the course of a series of activities which went by the name of trading transactions. That should not be regarded as supplementing the normal trading channel because the rest of the activities in the trading transactions, even in the case of iron ore, were performed by private individuals. Therefore, what the S.T.C. did was that it intervened at a strategic point and took over control at that strategic point so that public interest ruled and private interest did not prevent the public interest from doing that. At other stages supplanting was not normally done by the S. T. C.

### **Form of Organisation & Programme of work of S.T.C.**

8. As regards the form of organisation of the S.T.C., the Secretary stated that the floating of a company under the Companies Act was a much quicker proposition and that it could be brought into existence sooner than through a Bill in the Parliament. Personally he saw no difference between a statutory corporation and the company form except that if they had a statutory corporation it would be said in the relevant section that Government might from time to time notify the commodities which the Corporation might handle and the notification might be laid on the Table of the House. The same end was secured by the Memorandum and Articles of Association because that was not a confidential document. It was pointed out by the Chairman that when questioned about its inability to regulate the growth of establishment the representatives of the S.T.C. had said that this was due to its difficulties in laying down a complete programme of work well in advance. It was therefore felt that if the S.T.C. had been a statutory corporation future plan and programme would have to be made out well in advance to enable the corporation to frame its budget. The Secretary said that such companies had also to frame their budgets though the budgets were not presented to Parliament. He, however, did not personally think, having seen some of these statutory Corporations functioning and being familiar with a number of these Corporations or Companies which were being floated under the Indian Companies Act, that in practice there was any great difference between Parliament knowing what these different Corporations did and Parliament having a measure of control which it would like to have over these different Corporations. He felt that it would be taking away the utility of forming a Statutory Corporation if Parliament required a detailed vote on the budget of such a Corporation every year. He, therefore, did not think that there was any special merit in making the S.T.C. a Statutory Corporation. It was agreed that the Corporation was mainly intended to serve as an instrument of Government's foreign policy and was required to handle such items which the Government would like to handle from time to time, and hence it had not been found expedient to draw up a programme for exports or imports except in the case of mineral ores. On the non-availability of information regarding proposed pattern of trade for the future year as well as actual pattern followed in the past year being pointed out, it was said such information could be certainly indicated in the Annual Reports submitted to Parliament.

### **Directives issued by the Government**

9. As regards directives issued by the Government to the Corporation, the Additional Secretary stated that there was no directive issued to the S. T. C. except through either a notification under the Import Control Act or the Export Control Act or a foreign trade Plan which was negotiated with a certain Government, both of which were publicly announced. If a supplementary or an *ad hoc* import licence was

issued to the S.T.C., that also was being announced week to week in a weekly publication of the Ministry of Commerce and Industry. The only difficulty was in complying with the requirement that a programme of performance covering the entire trading field of the S.T.C. should be prepared in advance and submitted to Parliament. In a trading venture it was very difficult and was likely to place the S.T.C. in a very embarrassing position.

### **Relation between the Government and the Corporation**

10. The Sub-Committee was further informed that the relationship between the Government and the S.T.C. today was quite reasonable and that the Government did not encroach on the day to day functions of the Corporation. General instructions had been issued to the Corporation regarding the nature of transactions/decisions, in respect of which Government orders should be obtained. Since S.T.C. was a growing organisation, there was a great deal of room for improvement in a variety of ways. It was, however, too early to appoint a Committee to go into the experiences of its working gathered over the last 2½ years or 3 years of S.T.C.'s existence to examine the necessity of regulating these matters more precisely or the need to have a statutory corporation. It was however stated that attempt was being made to work this company in a manner so as to be as much amenable to Parliamentary control and public criticism as a statutory corporation would be.

### **Operational Expenses of S.T.C.**

11. The Sub-Committee then pointed out the magnitude of operational expenses of Rs. 55 lakhs of S.T.C. as compared to total turnover of Rs. 28·57 crores (excluding cement). In this context the attention of the representative of the Ministry was also invited to comparative figures of the Canadian Commercial Corporation. In reply the Secretary stated that Government had already asked the Board of Directors of the Corporation to go into this question of rapid increase in the Corporation's administrative expenditure. It was felt that with the whole time Chairman now there was possibility of securing economies in the higher supervisory personnel. The Secretary thought that when the representatives of the S.T.C. said that it was functioning like a Government department his view was that there would be a full heirarchy of office staff as also field staff which might not be wholly necessary. In fact a non-official part time Director of the Board was already on the job and he was now in the process of putting his idea on paper.

### **Constitution of the Board of Directors**

12. Asked whether it would be better to have whole time instead of part time directors, the Secretary stated that his personal view was that there must be a Committee of the Board of whole-time directors who would really function efficiently from day to day and the Board would meet periodically and give the benefit of their wide experience

to the organisation as a whole. There were, however, very divergent views about that attitude. But the view of the representatives of the Ministry was that there should be a big board which should have in it representatives, honorary people, people drawn from business etc. Even if such people were allowed to be on the Board, it would still require a core of 3 or 4 persons who would be whole time directors and who could take day to day decisions, because many of these decisions, would be too big for a single individual to take separately. They were, however, facing difficulties in finding businessmen who would not have interests in the trade in which S.T.C. was engaging itself. Therefore the solution which would commend itself to Government was that the Government would not include inside the Board of Directors experienced businessmen but the S.T.C. would take every possible opportunity and care to associate them so that they could render advice to them when they handled any particular business. Continuing he stated that the part time director, who was at present busy with the work relating to the staff assessment of the corporation, had been asked to complete his work quickly so that he might be enabled to retire the moment he finished that work. As there was a bar on an ex-Member of the U.P.S.C. taking up employment after his term was over, he could not be appointed as a full time Director. Questioned about the Secretarial element of the Board of Directors of the Corporation, it was stated that there were only 2 representatives of the Commerce and Industry Ministry on the Board; the other Directors belonged to other Ministries. The Managing Director was full time. Generally the principle followed in appointment of official part-time directors was that joint secretary etc. dealing with commodities with which the public sector corporation dealt with was nominated to that Corporation.

### **Constitution of an Advisory Council**

13. About the suggestion regarding the constitution of a standing advisory Board/Council for S.T.C. consisting of people with specialised experience and drawn from all the States, the Secretary stated that the idea had occurred to him off and on. The difficulty was that each commodity required specialised experience. The Additional Secretary pointed out that they had recently constituted an advisory group for the Export Risks Insurance Corporation but they had so far fought shy of constituting such a group for the S.T.C. because it dealt with actual business details of the Corporation and many questions would be asked. It was ultimately agreed that it might be useful to have an Advisory Committee for the S.T.C. with defined province which would exclude business details of the Corporation.

### **Export Promotion Councils**

14. Enquired about the desirability of clubbing together the large number of such Promotional Councils like Directorate to the Export Promotion, Export Promotion Councils. Handloom Export Organisation, NSIC etc., it was stated that the Councils were really organisa-



tions with the people in the business line and each sizeable commodity had its own development and export promotion council.

### **Foreign Trade Board**

The Sub-Committee was informed that the Foreign Trade Board was only a convenient name given to what might be called inter-departmental meeting where all the people concerned were made to meet compulsorily periodically. It was not an executive organ, but only a convenient forum at which foreign trade problems which concerned more than one individual officer or more than one Ministry or organisation, were conveniently brought up for discussion.

*The Sub-Committee then adjourned at 17.30 hours.*

## VI

### **Twelfth Sitting of the Sub-Committee on Public Undertakings**

**18th November, 1959**

The Sub-Committee sat from 15.00 hours to 19.45 hours

#### **PRESENT**

**Shri H. C. Dasappa—Chairman.**

#### **MEMBERS**

2. Dr. Sushila Nayar
3. Shri Surendranath Dwivedy
4. Shrimati Renu Chakravarty
5. Shri C. R. Basappa
6. Shri Bhausaheb Rosateb Mahagaonkar
7. Shri M. Muthukrishnan
8. Sardar Amar Singh Saigal
9. Shri A. M. Tariq.

#### **SECRETARIAT**

1. Shri A. K. Ray—*Deputy Secretary.*
2. Shri R. K. A. Subrahmanya—*Under Secretary.*

#### **WITNESSES**

##### *Representatives of the Ministry of Commerce and Industry.*

1. Shri S. Ranganathan—*Secretary, Ministry of Commerce and Industry.*
2. Shri K. B. Lall—*Additional Secretary, Ministry of Commerce and Industry.*
3. Shri S. N. Bilgrami—*Joint Secretary, Ministry of Commerce and Industry.*

##### *Representative of the Ministry of Finance*

**Shri K. L. Ghei—Joint Secretary, Ministry of Finance**

(From 15-00 to 16-00 hrs. the Sub-Committee took the evidence of Shri N. D. Sahukar in connection with their examination of the estimates relating to the N.S.I.C.)

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The Sub-Committee resumed their examination of the estimates relating to the State Trading Corporation of India and in that connection took further evidence of the official representatives of the Ministry of Commerce and Industry (from 16-00 to 19-45 hrs.)

**Committee for examination of the working of the S.T.C.**

2. Asked for his opinion about the suggestion with regard to setting up of a Committee to enquire into the working of the State Trading Corporation, the Secretary stated that in his opinion it was somewhat too early to undertake an evaluation of the working of the State Trading Corporation. He thought that enough time had not elapsed for such an enquiry. He was afraid that if any such enquiry was undertaken at this stage, it was quite likely that there might be uninformed or interested opposition to the very concept of State Trading and it was likely to stir up the forces of opposition to State Trading idea and it might hamper the progress of the Corporation.

3. When it was pointed out that the object of the enquiry would not be to conduct an evaluation of the working of the State Trading Corporation but to examine the scope and functions of the State Trading Corporation with a view to indicate the new lines of business the State Trading Corporation would take up, the Secretary stated that an examination into the scope and functions of the State Trading Corporation would be helpful but he was afraid that even such an examination at this stage might stir up opposing forces. He was, therefore, disinclined to undertake even such an examination at this stage. He added that he would much rather develop the State Trading Corporation a little more by what might be described as merely groping in the dark, taking advantage of opportunities as and when they occurred, and consolidating the position before undertaking that kind of study. He was, however, agreeable to constitute a departmental committee comprising of official economists with practical experience in the Government itself, in the Ministries or in the Planning Commission to define the scope and function of State Trading Corporation more clearly.

**Prior intimation and approval of Parliament to major changes**

4. Asked whether he would have any objection to apprising the Parliament of any proposed major changes in the existing functions of State Trading Corporation and give it an opportunity to have its say in the matter before making changes, the Secretary stated that he would have no objection at all. He added that if the State Trading Corporation wanted to undertake any new functions it would make the position of the Government easier if it was done with the backing of Parliament. It might be difficult to bring in a formal resolution in such cases but there were a number of other ways in which the Government could get the attention of Parliament drawn to a specific expansion of the functions of State Trading Corporation. In this connection, he mentioned that if the annual reports of the State Trading Corporation embodied not only the past performance but also the

future programme of the Corporation, it might serve the purpose. In the alternative if a note was circulated along with the annual report and there was an half-an-hour debate thereon, even that would be helpful. The Secretary, however, added that it might be difficult to obtain the prior approval of the Parliament in making changes in the business policy of State Trading Corporation as for instance, introducing a monopoly of the State Trading Corporation in a field, because it might be difficult to synchronise it with the Parliamentary programme. Besides, it would depend upon the nature of the decision and the circumstances prevailing at the time of making the change in the policy. He, however, agreed that approval of Parliament would be taken before making any such change "if" and "as far as possible".

### **Iron Ore**

#### *(i) Justification for entry of State Trading Corporation into Iron Ore Trade*

5. Asked whether it was not possible to get the assistance of the mining industry to achieve the objects for which the State Trading Corporation entered into the trade in Iron Ore, the Additional Secretary of the Ministry stated that before introducing the monopoly of the State Trading Corporation in the Iron Ore trade the Government did try to work out an arrangement with the Iron Ore mining industry through a quota system but that led to fragmentation of the selling power which made it more difficult to bring together a large number of miners to undertake either bulk contracting or long-term contracting with the bulk buyers of Japan and Czechoslovakia. Therefore, it was arranged to canalise the exports through the State Trading Corporation and the State Trading Corporation was in the first stage placed in the position of being the sole contracting party. That arrangement had since taken the form of a monopoly. He thought that there was no other method of achieving the objective which the Government had in view except by canalising the exports through one party.

6. When the Sub-Committee referred to the fact that before State Trading Corporation entered the trade in Iron Ore the private sector had been doing quite well, the Additional Secretary stated that immediately before the State Trading Corporation entered the field, the private sector did their best to prevent the State Trading Corporation from entering this field and in that effort they were also assisted by the foreign buyers. In fact, the world monopoly buyers were not very happy to deal with the State Trading Corporation.

#### *(ii) Performance of the State Trading Corporation in the trade in Iron Ore*

7. When it was pointed out that the performance of the State Trading Corporation during the year 1956-57 was very poor compared to the performance of the private sector, the Additional Secretary stated that what was introduced from 22-6-1956 was monopoly

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for further contracts. The supplies made during the year were against the contracts entered into by the private sector during the previous years. When it was pointed out that the performance of the State Trading Corporation during the next year also was not as good as that of the private sector during the previous year, the Additional Secretary stated that during 1956-57 there was a back-log of all the private contracts which had to be supplied on time and during that period there was a sort of accumulation from the private contracts and from the State Trading Corporation's contracts.

8. In this connection, the Additional Secretary claimed that during the American recession, which also affected Japan's Steel Industry, State Trading Corporation was able to at least keep up the earlier level of exports of Iron Ore, if not more.

9. When asked about the price secured by the State Trading Corporation for the Iron Ore exported by it, the Additional Secretary stated that the price at which the State Trading Corporation contracted to export Iron Ore was higher than the average price at which the private sector used to export earlier. The witness stated that before State Trading Corporation entered the field the private sector was selling the Iron Ore in Japan between 76 shillings to 78 shillings and when the State Trading Corporation came up, the Japanese buyers had got together and were offering for the 1956-57 contract only 70 shillings per ton. During that year State Trading Corporation was, however, able to get 84 shillings. It came down in the next year to 80 shillings and it had remained at that level.

### (iii) *Export of Pig Iron*

10. Asked whether it was more advantageous to export Pig Iron than Iron Ore, the Additional Secretary stated that the advantage was considerable. He promised to furnish figures in support of his statement.

11. Asked about the possibilities and prospects of exporting Pig Iron instead of Iron Ore, the representatives of the Ministry stated that the policy was to export as much of processed material as possible but there was a limit to which world market would absorb Pig Iron. In their latest negotiation the Government were endeavouring to find buyers for Pig Iron and as they were able to develop the demand for Pig Iron it was their plan to develop the capacity for production of Pig Iron to meet that demand. Currently, there was a surplus of about 300,000 to 400,000 tons of Pig Iron and they were trying to place it on the world market. Their conclusion was that at present it was not too difficult to sell 400,000 tons of Pig Iron every year. They were, however, exploring the possibility of exporting more than that quantity.

12. In this connection, the Additional Secretary informed the Sub-Committee that the earlier view was that after 1962 all the Pig Iron produced in the country would have to be converted into steel

and there would be no export capacity for Pig Iron but in view of the world market reaction to the selling of Indian Pig Iron in the world market a decision was in the process of being taken that the steel manufacturing policy would be so arranged as to enable the country to continue to be in a position to export Pig Iron.

13. Asked whether the export of Iron Ore would be reduced to the extent of the export of Pig Iron, the Sub-Committee were informed that the trade in Pig Iron was independent of the trade in Iron Ore. While there might be some demand for Pig Iron, the importers of Iron Ore would not like to import it to the exclusion of Iron Ore.

14. Asked whether it was true that the export of Pig Iron was also limited by another factor, namely, that the importers did not want to import Pig Iron produced in small blast furnaces, the Secretary replied in the affirmative and added that there was a difference in the quality of Pig Iron produced in the small blast furnaces and the big ones. When questioned further, he stated that he would consult the technical people concerned in the Steel Ministry and would send a note to the Committee.

#### (iv) *Supplies to Steel Plants*

15. Asked whether there was any proposal that the State Trading Corporation should take over the supply of Iron Ore to the Steel Plants, the Additional Secretary stated that what was being attempted was to bring about co-ordination between the external demand and the internal demand for which the State Trading Corporation was functioning as the agent. He added that it would benefit mine owners and the steel industry if the State Trading Corporation was able to co-relate the external demand with the internal demand and then nominate centres of production and centres of transportation for the internal steel industry and for exportation.

#### (v) *Construction of Railway Lines*

16. When asked about the proposal to convert the meter-gauge railway line between Hospet and Guntakal to broad-gauge line or of adding another broad gauge line along with the meter gauge line for transporting the Iron Ore via Bombay or Madras and of connecting the West Coast, Cannanore or Mangalore, by railway line for transport of Iron, the Secretary stated that they were under consideration in the Planning Commission, the Railway Board and the port authorities concerned for the last one year. The matter was linked up with the Third Five Year Plan and the decision might be arrived at on these projects by the end of 1960.

17. Asked about the proposals with regard to improving the means of transport of the Iron Ore of Orissa area it was stated that a composite agreement had been entered into with Japan for export of 72 million tons of Iron Ore per annum from 1964-65 onwards and it included the development of railway facilities. In this connection, the Secretary stated that an application for loan from the Development Loan Fund had been signed jointly by India and Japan and promised to furnish particulars relating thereto.

(vi) *Price formula included in the agreement with Japan*

18. Asked for the justification for providing for a rebate over the price of Iron Ore that would be sold to Japan the Additional Secretary stated as follows:—

As compared with the other buyers of Indian Iron Ore, the Japanese would be a real bulk buyer with a firm commitment to buy a stated quantity over a period of years with certain assistance in the building of production capacity. Even for a buyer of that kind, the Government was not prepared to commit a sale price. The Japanese wanted the price to be fixed on a cost plus basis. The Government did not want to commit themselves to that also, because they did not know what would be the movement of price. Therefore, they had to adopt a formula which could be described best as a guide to determine the price at which sales would be effected. In reply to another question, the Additional Secretary added that Government wanted to tie Japan down to the quantity to be purchased by them so as to secure the trade against competition from China.

(vii) *Export of Low-Grade Iron Ore*

19. In reply to a question, the Additional Secretary stated that State Trading Corporation was able to export a large part of the low-grade Iron Ore which was produced in the mining area from which exports were taking place. State Trading Corporation was trying to do this by producing a mixture. He further stated that a large part of the international trade in Iron Ore was not in such high grade as India was supplying.

(viii) *Utilisation of Indian Shipping*

20. As regards utilisation of Indian bottoms for transhipment of Iron Ore to Japan, the Secretary stated that while no firm guarantee had been given, the Japanese had said that they would do their best to use Indian bottoms whenever they were available. The matter was generally discussed at the time of concluding the annual agreement with Japan and the decision arrived at had been incorporated in the annual Agreement, a copy of which was agreed to be furnished to the Committee. In this connection, it was stated that the Japanese had agreed to engage India bottoms only on competitive rates and the freight rates of the Indian shipping companies were rather on the high side.

21. Asked whether the losses of the Indian shipping companies could not be subsidised by Government in order that they might compete with the freight companies, it was stated that they had not been able to persuade the Government to take such a decision.

(ix) *Procedure of Purchase of Iron Ore*

22. Asked as to why State Trading Corporation was purchasing Iron Ore F.O.R. and not F.O.B., the Additional Secretary stated that in actual practice, the State Trading Corporation found that F.O.B. deliveries by a large number of persons at the ports made it extremely difficult for them to load the ships or to prepare packets conforming to those specification. Therefore, the bulking and the blending had been undertaken by the State Trading Corporation and the ground stocks at the ports belonged to the State Trading Corporation. State Trading Corporation found that after the system of purchasing the Ore on F.O.R. basis was introduced, it had been able to step up the loading rate. Further, the State Trading Corporation found it more economical as the number of middle-men between the mine-owner and the State Trading Corporation had been reduced. The Committee then desired to be furnished with a note indicating the number of middle-men there were before and after the State Trading Corporation changed the basis of the purchase of Iron Ore from F.O.B. to F.O.R.

**Manganese Ore**

(i) *Justification for State Trading in Manganese*

23. When asked about the reasons for the entry of State Trading Corporation in the Manganese Ore trade, the Additional Secretary stated that State Trading Corporation entered in this trade with a view to expand the exports by long-term contracting with large buyers. Although the pattern of international trade in Manganese Ore was somewhat different from the pattern in Iron Ore on the purchasing side there were considerable monopolistic tendencies. There was more or less a single buyer in each country like France, Germany, Belgium, and U.K. In U.S.A. there were 8 or 10 big private operators and the tendency for these end-users to acquire captive mines in foreign territories was on the increase. It was thought that, if the end-users continued that tendency, gradually a large part of their requirements would be obtained from such captive mines. Therefore, the effort was to get into a type of relationship with the end-users so as to dissuade them from entering into mining venture in foreign countries.

(ii) *Performance in Manganese Trade*

24. Speaking about the performance of State Trading Corporation in the field of Manganese Ore, the Additional Secretary conceded that it had not led to any increase in the total trade in Manganese. It had also not so far succeeded in checking the tendency of the end-users in America getting their Ore from their captive mines and that was the



reason why the Government policy with regard to Manganese Ore was somewhat hesitant. He, however, added that the service rendered by the State Trading Corporation in regard to Manganese was not in quantities but in the matter of prices. He pointed out that in the wake of the last recession the price of Indian Manganese Ore had not gone down to as low level as it went down earlier. He claimed that the price of Manganese had maintained a degree of stability because of the entry of State Trading Corporation.

25. Explaining the reasons for the quantity of direct sales of State Trading Corporation in Manganese trade being small the Additional Secretary stated that the field organisation of the State Trading Corporation was still being built up and that the grip of the shippers on the mine-owners was still too strong. He added that for Manganese trade one had to have considerable knowledge of blending the Manganese Ore drawn from different mine-owners and until State Trading Corporation acquired that knowledge the grip of the shippers would not be released.

26. Asked whether it was a fact that in some cases ships which had come to collect Manganese Ore had to return empty due to failure of the State Trading Corporation to load them in time, the Additional Secretary admitted that it was a fact. He, however, added that failures of that kind were not uncommon in the trade.

*(iii) Transport facilities for private sector*

27. When it was pointed out that the private sector had a complaint with regard to availability of transport facilities for movement of their Ore, the Additional Secretary stated that the allocation of wagons was made by the Railway Board. He added that in the beginning the private sector had contacts with the Railways and therefore had an advantage over the State Trading Corporation but State Trading Corporation also had since established similar contacts and the private sector could not therefore get advantage over the State Trading Corporation any longer.

*(iv) Reluctance of American buyers to deal with State Trading Corporation*

28. When it was pointed out that there was a complaint that owing to frequent change of policy the American buyers were reluctant to purchase Indian Manganese, the Additional Secretary stated that there was a time when for ideological reasons, the State Trading Corporation was quite unpopular with the importers of Manganese Ore in U.S.A. but now there was no such reluctance on the part of any individual importer to deal either with the State Trading Corporation or with the private sector.

*(v) Restriction on Manganese exports*

29. Asked whether there was any need for restricting the exports of Manganese Ore in order to conserve them for indigenous industry,

the Secretary stated that there was no fear of shortage of the Ore. He, however, added that in determining the quantity to be exported and the grade of Ore to be exported the Ministry of Commerce and Industry was guided by the Ministry of Steel, Mines and Fuel.

(vi) *Business Associates*

30. Asked as to why the State Trading Corporation had aligned itself with foreign firms for joint venture, the Additional Secretary stated that they were the only people who cared to associate themselves with the State Trading Corporation and the others did not care. Besides, the long-term policy of the State Trading Corporation was to get in touch with the end-users and the companies with whom it was associated were already in relationship with some end-users and it had enabled the State Trading Corporation to establish direct relationship with them. He added that there was an allegation against the foreign firms that their contacts remained secure and they had built up foreign exchange funds abroad. Association of the State Trading Corporation with them had enabled them to know how they operated.

31. Asked whether there was not a case for reconsideration of the trade policy in Manganese Ore, the Additional Secretary stated that there was a case for reconsideration but added that the reconsideration had been completed as a result of which a new policy had been introduced.

(vii) *New Manganese Ore Policy*

32. In reply to a suggestion that the mine-owners be asked to give 50 per cent. of their production to State Trading Corporation instead of specifying their quota for exports, the Additional Secretary stated that the new Manganese Ore policy was tending in that direction. He promised to supply a copy of the orders in that respect.

## Cement

(i) *Justification for State Trading in Cement*

33. Asked as to why even after the necessity to import Cement and the necessity to have a pool price was obviated, the State Trading Corporation had continued to deal with Cement, the Secretary stated as follows:—

In the purely legal sense, from the point of view of the Memorandum of Association of the State Trading Corporation, the justification for its continuing to deal with Cement was that there was at present some exports of Cement but the real reason was from the point of view of development of the Cement industry. As part of the development plan, the Government had encouraged the setting up of a large number of Cement producing units and many of them were high cost units. It was necessary to have a pooling arrangement for distribution because

otherwise the moment the demand lacked, the high cost units would have to lose heavily or go out of production. The real service which the State Trading Corporation rendered was in making the pooling arrangement and distribution of Cement. He added that in the long-term interests of the Cement industry as a whole, the pooling arrangement was advantageous and helpful. He also thought that with very rare exceptions a large number of producers welcomed the existing arrangements.

(ii) *Exports of Cement*

34. When it was pointed out that the exports of Cement by the State Trading Corporation was very small in quantity and considerable loss was involved in the exports by way of excise duty etc. the representative of the Ministry informed the Sub-Committee that the export figures had been rising and promised to furnish the latest figures. They, however, considered that it was open to argument whether it was worthwhile exporting Cement at heavy loss but they added that it was not possible to build up an export market and to keep up the production and continue it at a high level unless exports were subsidised.

(iii) *Price of Cement*

35. When it was pointed out that under the existing arrangement the price of Cement had gone up and the consumers had been hard hit, the representatives of the Ministry stated that the rise in price was due to the rise in the excise duty, the cost works price and the freight rates. Besides, the losses on exports had also to be borne. They pointed out that the price of Cement had been maintained at the same level from the time State Trading Corporation took over its distribution with the result that the State Trading Corporation had hardly any margin of profit.

36. When it was pointed out that the State Trading Corporation had made huge profits on Cement due to the inflation of the elements of cost included in the price, the representatives of the Ministry agreed to examine them with regard to the actuals and to prepare more accurate estimates thereof in future. In this connection, the Secretary admitted that in the constitutional sense it would not be justifiable to raise revenue by artificially raising the prices charged by the Government undertakings. He, however, claimed that they should have the right to make legitimate profits.

37. When it was pointed out that the price of Cement was unduly high in Kashmir and Assam, the Secretary promised to look into the matter.

(iv) *Excise Duty on Cement*

38. Asked whether the excise duty on Cement was not somewhat high, the Additional Secretary stated that the excise duty had been

raised with a view to mop up the difference on account of the withdrawal of the import subsidy from the price of Cement. The Secretary added that it was increased with the deliberate intention of restricting the use of Cement.

39. Asked whether a case could not be made out for reduction of excise duty and make Cement available at a fairly reasonable price, the Secretary stated that the Ministry of Finance might not be amenable to reduction in the rate of excise duty because it was a source of revenue. Besides, the Ministry of Finance had accepted reduction of export duties in respect of certain export items and therefore, it was necessary that the country should put up with somewhat high duties on items which were consumed internally in the interests of earning foreign exchange.

### **Export of Jute Goods**

40. The Sub-Committee pointed out that the State Trading Corporation had incurred some heavy losses in regard to the supply of heavy cees to China. In reply the Additional Secretary stated that the State Trading Corporation went into the trade initially in order to be in the position of a sole supplier to China. He also informed the Sub-Committee that the State Trading Corporation made a commitment to the Chinese without covering itself with a contract with the suppliers and hence there were losses. He added that it was extremely difficult for the State Trading Corporation to have a firm contract with the buyers as well as with the sellers at a single point of time but agreed that such difficulties should be resolved.

41. Asked as to what action was taken by Government when such lapses came to notice, the Secretary stated that in such a case they could only tell the Board of Directors to be more careful in future so as not to repeat it.

### **Raw Jute**

42. Asked as to why the State Trading Corporation had not been allowed to enter the market in raw Jute during the current year while it did during the previous year, the Secretary stated that the State Trading Corporation was asked to make purchase of raw Jute during the previous year because there was a fear that the price was falling very rapidly and that the cultivators might be in distress but a similar situation had not arisen during the current year. He added that if State Trading Corporation entered the market at that stage it would only tend to put up the prices otherwise the Government would have to fix the floor price so that if it fell below that price the Government might buy but that was not the function of State Trading Corporation.

43. When it was pointed out that the Ministry of Agriculture had no objection to fix the floor prices but the Ministry of Commerce & Industry was in the way, the Secretary stated that his Ministry was averse to fixing floor prices in respect of the commodities which largely

entered the export trade because the moment a floor price was fixed, the export price would be built up affecting the exports adversely.

#### **Import of Paper**

44. When it was pointed out that the paper imported through the State Trading Corporation was being sold by the importers at very high prices, the Additional Secretary stated that it was brought to the notice of the Ministry orally and a policy indication had been given to the State Trading Corporation to the effect that in all such cases State Trading Corporation must fix the price at which the imports were to be sold to the consumers and that the importer, distributor or retailer should be asked to maintain a record as to the person to whom he had sold them. He added that as far as he was aware the mistake had been rectified by State Trading Corporation. The Secretary, however, agreed to call for a report from the State Trading Corporation about it. He also promised to call for a report about the import of art paper.

45. When it was suggested that at the level of the Ministry there should be somebody who should look into such matters and fix responsibility therefor, the Secretary stated that it was undesirable to make inroads in the internal affairs of the State Trading Corporation and the Government would not like to take the extreme step of issuing a directive in such a matter.

#### **Export of Shoes**

46. On a reference being made to the dispute between the State Trading Corporation and the National Small Industries Corporation regarding 54,000 pairs of shoes which were got fabricated by the National Small Industries Corporation and had not been disposed of, the Secretary stated as follows:—

While there was no specific order by State Trading Corporation on the National Small Industries Corporation for supply of the shoes, it was anticipated that there would be export orders to that extent but the orders did not materialise in time. That was the real cause of misunderstanding. The dispute had, however, been amicably settled and it had been agreed that State Trading Corporation should bear the losses except in regard to the godown and interest charges which were to be borne by the National Small Industries Corporation as a part of their developmental expenditure. When it was suggested that the responsibility for the transaction should be fixed, the Secretary stated that he would examine whether the responsibility could be fixed on any individual or whether there was any laxity in procedure etc.

#### **Import of Non-Ferrous Metals**

47. Asked as to why the State Trading Corporation was asked to import Non-Ferrous Metals, the representatives of the Ministry stated as follows:—

When the Non-Ferrous Metals were taken off the O.G.L., it was the intention to regulate the import through established importers only

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and they were given large quotas. But as soon as the Metals were imported, the importers began to put up the prices. At that time it was decided not to import in future through the established importers but to give actual users licenses where the importers were sizeable and to import through State Trading Corporation in respect of small quantities and to distribute them through the Directors of Industries of the States. Later on the importers represented to the Ministry and the Minister that they would conform to the price regulation and it was again decided to give them a small quantity to import.

#### **Miscellaneous**

48. Asked for his views about the suggestion with regard to setting up of a Consumer's Council and a Rates Tribunal, the Secretary stated that Consumers Councils or Rates Tribunals to fix the rates and prices might be useful in regard to certain commodities but it could only function in an advisory capacity. He agreed that the Council was apt to create confidence in the public and might be of use if it could suggest improvements in distribution methods. He, however, added that it could not make any recommendation on prices because it was a question of Government policy.

#### **Trade Policy**

49. Asked about the advisability of the Government announcing its trade policy as in the case of industrial policy the Secretary did not think that it would be easy to set out a trade policy in the same manner as the industrial policy. While there might be complaints that there had been no policy put down on paper as Government trade policy, he did not believe that the Chambers of Commerce had any doubt about it. The Government's policy in regard to export trade was well known and in regard to internal trade they knew the extent to which the Government could interfere. Further, it was not a practical proposition to set down on paper the trade policy of the Government except that they could enumerate the items in which they were anxious to increase the trade and the various incentives that they were giving for increasing the export trade. He further stated that if any one made a specific reference to the policy, a reply could be given to him. He, therefore, did not agree that a policy announcement on the line of the Industrial Resolution was feasible.

#### **Commodity Boards Vs. State Trading Corporation**

50. Asked whether the exports could be done better through the various commodity boards or through the State Trading Corporation, the Secretary stated that the Commodity Boards only organised marketing and did not do any trade as such. The State Trading Corporation would have, therefore, to play a bigger part in the export trade.

#### **Liaison with Private Sector**

51. Asked for his views about the suggestion to have a consultative machinery at the centre for establishing a liaison between the Ministry

of Commerce & Industry and the Private Sector, the Secretary stated that he would examine the feasibility of having such a body.

**A Joint Body to plan and participate in exhibitions etc.**

52. When it was suggested that a joint body comprising the representatives of the concerned Ministries of Government of India and private sector should be set up to undertake the responsibility for the planning and participation in foreign exhibitions etc., the Secretary stated that Government were taking steps to constitute such an Advisory Body.

*The Sub-Committee then adjourned at 19.45 hours.*

## VII

### Thirteenth Sitting of the Sub-Committee on Public Undertakings

*The 19th November, 1959*

The Sub-Committee sat from 10.10 hours to 11.45 hours.

#### PRESENT

Shri H. C. Dasappa—*Chairman*

#### MEMBERS

2. Dr. Sushila Nayar
3. Shri Rajeshwar Patel
4. Shri C. R. Basappa
5. Shri Bhausahab Raosaheb Mahagaonkar \*
6. Shri M. Muthukrishnan
7. Sardar Amar Singh Saigal
8. Shri A. M. Tariq.

#### SECRETARIAT

1. Shri A. K. Ray, *Deputy Secretary*.
2. Shri R. K. A. Subiahmanya, *Under Secretary*.

#### NON-OFFICIAL WITNESSES

1. Shri Uma Shankar Agrawal, *Vice Chairman, Mineral Industry Association, Nagpur*.
2. Shri S. D. Malgonkar *Hony. Joint Secretary, Mineral Industry Association, Nagpur*.

The Sub-Committee resumed their examination of the estimates of the S.T.C. and in that connection took evidence of the representatives of the Mineral Industry Association, Nagpur.

#### Manganese ore trade

2. The witness stated that the idea of having the S.T.C. was not bad and he had no objection to the entry of the Corporation into the manganese trade. But he added that the S.T.C. had not been of much help to the trade so far. He observed that the way in which it had been carrying on the business and making deals with foreign buyers was not satisfactory. Clarifying this observation he stated that there was much delay on the part of S.T.C. in carrying on negotiations with the foreign buyers and that it did not take decisions promptly. In this connection the witness informed the Sub-Committee that in 1957 an American business firm sent an offer to the S.T.C. for purchase of 500,000 tons of Manganese ore a year for a period of



five years, at a firm price, but the S.T.C. failed to take advantage of that offer due to delay in taking decision in the matter.

3. When it was pointed out that one of the reasons for the entry of S.T.C. into the manganese was that it could have bulk contracts which the private shippers could not secure, the witness stated as follows:

The quality and grades of manganese ore varied from mine to mine and sometimes even in the same mine there would be different grades of ore. It was, therefore, not practicable to have bulk contracts in that trade. Although the S.T.C. was running into its third year, it had not been able to make a single contract like that. As regards long term contracts the witness stated that right from the beginning the private shippers had been making contracts for two or three years delivery but when the quota system was introduced in 1956 their shipping programme was restricted. Because of the restricted quota and duration of the quota they could not undertake long term sales. The foreign buyers while entering into long term agreements felt very shaky as they were not very much sure about the future policy of the Government in regard to Manganese ore. He pointed out that the S.T.C. had also not entered into any long term agreement since it stepped into the manganese trade.

4. When it was pointed out that one of the reasons for the entry of S.T.C. into manganese trade was that it would be able to obtain better price for the manganese exports, it was stated that the Indian manganese had to compete with the supplies from other countries and the price had to be competitive. He, further, pointed out that usually every shipper had got his own buyer in the foreign market and he knew the requirements of the foreign buyer. There was, therefore, not much room for bargaining with regard to price.

5. When it was pointed out that another reason for the entry of S.T.C. into manganese ore trade was that it would be able to do business on Government to Government basis, the witness stated that even the East European countries where State Trading was in practice were happy to deal with private shippers.

6. The witness pointed out to the Sub-Committee that during all its life the S.T.C. had not been able to find any extra outlet for the manganese ore. What it had done was just to canalise the existing exports. In this connection he also pointed out that the S.T.C. was charging heavy commission for canalising the trade of the private shippers. The rate of Commission charged was originally about 23% of the price of the ore but it had since been reduced substantially but there was at present no market and the reduction of the commission had not therefore helped.

7. Asked whether the buyers of manganese ore were in the position of a monopoly, the witness stated that they were private steel industries, each making its own purchase individually.

8. In reply to an observation that the foreign buyers preferred to deal with private shippers because it gave them a certain advantage which they did not have while dealing with the Government organisation and that the S.T.C.'s stepping into business had finally helped the country but also the private individual, the witness stated as follows:

During the last five years the production of manganese ore in the world had increased considerably in ratio to the cement and to a very great extent the S.T.C. was responsible for making foreign buyers to import their ore from other parts of the world. In this connection he pointed out that so far India had been supplying about 40 per cent of America's requirements of manganese ore but now it had fallen to about 17 to 18 per cent.

9. Asked as to how the S.T.C. was responsible for the fall in the exports to U.S.A., the witness stated as follows:

When the quota policy was introduced the private shippers could not make supplies to the extent of their contracts with the foreign buyers. The private shippers also experienced difficulty with regard to movement of the ore because it was restricted in relation to their quotas.

10. Continuing the witness informed the Sub-Committee that before the introduction of the quota system the private shippers did not have any difficulty for transport of manganese ore.

11. Asked whether the miners had applied for exporting ore on long term basis on their own and had been refused permission, the witness stated that in his own case, there was a contract for a long term but it was cancelled.

12. The witness further informed the Sub-Committee that the private shippers had been receiving reports from their agents in foreign countries that the representatives of the S.T.C. during their foreign visits had been urging upon the buyers to place their indents on them as the private traders were not in a position to fulfil their commitments.

13. Asked whether it was now possible to regain the market in Manganese ore, the witness stated that it would be possible if the Government had a firm policy for a few years so that the foreign buyers should know that there was no obstruction for export of the ore from the Government.

14. When it was pointed out that before the S.T.C. entered the field the mine owners were in the grip of the shippers and were unable to have a good enough margin of profit for themselves and that the S.T.C. was in a position to allow them a reasonable return, the witness stated that previously the mine owners were happy that they could get their money quicker and they were also getting a satisfactory margin of profit. On the other hand, S.T.C. was not allowing a satisfactory margin of profit to the mine-owners who had to do all the work right from the extraction of ore till the final delivery, be responsible for the market fluctuations and ultimately suffer the losses.

15. In reply to another question the witness informed the Sub-Committee that there was limited number of actual consumers of manganese ore in America and Europe. There were some intermediaries who were just traders doing business on commission basis. The S.T.C. had been selling to such parties. No material had been sold to the foreign consumers by the S.T.C. direct.

16. As regards joint sale marketing arrangements, the witness stated that it had recently been started and under the scheme the S.T.C. was guaranteeing the quotas of the business associates for five years. Under that arrangement the mine owners would not get any advantage and they were making this arrangement only because of the uncertainty of getting quotas.

### **Ferro-manganese**

17. Asked for his comments about the observation that foreign buyers were not very anxious to buy ferro-manganese from India, the witness stated that when any country started production newly, there would always be resistance from foreign buyers but in course of time when they would know that the deliveries were assured and they were coming in time and they were getting the material cheaper, they would naturally buy it.

18. Asked whether there was market for the ferro-manganese that would be surplus to the requirements of the country, the witness stated that the market could be created. Asked whether any thing had been done in that direction, he informed the Sub-Committee that the Government of India had been negotiating a barter deal with American Government. Under that deal it was proposed to export manganese ore and ferro-manganese against the imports of wheat, but the deal had not been finalised so far. In this connection, he further informed the Sub-Committee that the S.T.C. had obtained a firm commitment from certain producers of ferro-manganese for exporting their production to America but the delay in the finalisation of the barter deal had caused such producers heavy loss.

19. The witness confirmed the allegation that the S.T.C. had interfered with a tender of a ferro-manganese producer for supply to Hindustan Steel Ltd. and had demanded a commission of Rs. 25 per ton on that tender. Asked as to on what basis the S.T.C. interfered in the case, the witness stated that he did not know, but the S.T.C. could always expand its activities. He promised to furnish full particulars with regard to that transaction.

20. He further stated that S.T.C. had made some commitments with some of the mine owners for purchase of Manganese ore but it had failed to honour the contracts. The Sub-Committee asked the witness to submit papers on that subject for perusal of the Committee.

*The Sub-Committee then adjourned at 11.45 hours.*

## VIII

### Thirty-Fifth sitting of the Estimates Committee

11th April, 1960.

The Committee sat from 15·00 hours to 16·10 hours.

#### PRESENT

Shri H. C. Dasappa—*Chairman*

#### MEMBERS

2. Dr. Sushila Nayar
3. Shri T. N. Viswanatha Reddy
4. Shri Jagannath Prasad Pahadia
5. Shrimati Mafida Ahmed
6. Shri Narendrabhai Nathwani
7. Shri C. R. Basappa
8. H. H. Maharaja Pratap Keshari Deo
9. Shri D. A. Katti
10. Shri K. P. Kuttikrishnan Nair
11. Shri Vutukuru Rami Reddy
12. Sardar Amar Singh Saigal
13. Shri Dinesh Singh
14. Shri Raghunath Singh.

#### SECRETARIAT

Shri A. K. Ray, *Deputy Secretary*.

Shri R. K. A. Subrahmanya, *Under Secretary*.

#### **Consideration of the draft Report on the Ministry of Commerce & Industry—The State Trading Corporation of India Limited**

The Estimates Committee took up for consideration the draft report on the Ministry of Commerce & Industry—The State Trading Corporation of India and adopted the same with minor amendments to paras 112 and 114 thereof.

2. The Committee authorised the Chairman to make any further verbal changes in the report that may be necessary.

3. The Committee also decided that the following notes on paras 15 and 112 of the draft Report recorded at the time of the consideration

of the report by the Sub-Committee of the Estimates Committee on Public Undertakings may also form part of the minutes of the main Committee:—

*"Para 15:—*A member (Shrimati Renu Chakravartty) was of the opinion that there should be a general policy statement on State Trading by Government but it would be inexpedient to the Corporation's interests to enumerate schedules of the specific items in which they would or would not trade. She, therefore, desired that reference to Industrial Policy Resolution be left out. Another Member (Shri Surendranath Dwivedy) also desired that there should not be any schedules to the policy declaration recommended in the draft Report. The Chairman explained that there was no reference to any schedule in the recommendation and all that was suggested was that there should be a declaration of policy more or less in the manner of the industrial policy resolution.

*Para 112:—*A Member (Shrimati Renu Chakravartty) felt that the question whether cement trade should be given over to the private trade or not should be left to a review and no recommendation should be made by the Committee at this stage."

4. The Committee also approved that the minutes of evidence given before the Sub-Committee on Public Undertakings should also be laid on the Table of the Lok Sabha.

*The Committee then adjourned at 16.10 hours.*

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY  
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1**

Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
2.	Kitabistan, 17-A, Kamli Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & Co., P.O. Teppakulam, Tiruchirappalli.
3.	British Book Depot, 84, Hazratganj, Lucknow.	28.	City Booksellers, Sohanganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road, (Gun Foundry), Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	C. V. Venkatachala Iyer, Near Railway Station, Chalakudi (S.I.)
6.	H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	The Chindambaram Provision Stores, Chindambaram.
7.	International Book House, Main Road, Trivandrum.	32.	M. S. R. Murthy & Co., Visakhapatnam.	56.	K.M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	The Swadesamitran Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Goods Companions, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.
10.	Book Centre, Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	The High Commission of India Establishment Deptt. Aldych, London, W.C.-2.
11.	J. M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International Consultant Corporation, 48C, Maredpally (East), Secunderabad,—3 (A.P.)
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. G. Aservandam & Sons, Cloughpet, P. O. Ongoli, Guntur Dist. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	H.M. Gopal Krishna Kone, (Shri Gopal Mahal), North Chitral Street, Madura.	63.	The New Order Book Co. Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M. U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona—4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayna Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	Bookland 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Belamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narsin Aggarwal, Hospital Road, Agia.	71.	People's Book House, Opposite Iganmohan Palace Mysore-1.
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers' Trichinopoly-3.	49.	D. B. Taraporevala & Sons, Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W. E.A., Karol Bagh, New Delhi-4.				

**OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY  
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Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.
72.	'JAGRITI' Bhagalpur-2. BIHAR.	79.	Universal Book Company, 20 Mahatma Gandhi Marg, Allahabad.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
73.	The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.	80.	Madhya Pradesh Book Centre, 41, Ahilya Pura, Indore City (M.P.)	88.	The United Book Agency, 48, Amritkaur Market, Paharganj, New Delhi.
74.	The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.	81.	Mittal & Co., 85-C, New Mandi, Muzaffar Nagar (U.P.).	89.	Pervaje's Book House, Book Sellers & News Agents Koppikar Road, Hubli.
75.	Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	82.	Firma K. L. Mukhopad- yay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	90.	B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).
76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	83.	Freeland Publications (P) Lt., 11-A/16, Lajpat Nagar, New Delhi.	91.	Swadeshi Vastu Bhandar, Booksellers, Jamnagar.
77.	Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annexe, Imphal, Manipur.	84.	Goel Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.).	92.	Bhogilal L. Fanna, Book- stall Contractor, Railway junction, Rajkot.
78.	Minerva Book Shop, The Mall, Simla-1.	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi. 19.	93.	Sikh Publishing House (P), Ltd., 7-C, Connaught Place, New Delhi.
		86.	The Krishna Book Depot, Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)		





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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED AT THE  
PARLIAMENTARY WING OF THE GOVERNMENT OF INDIA PRESS,  
NEW DELHI

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